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# PATENT LAW DEVELOPMENTS IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DURING 1990

Alex Chartove† and  
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## PREFACE

This article attempts to provide a comprehensive review of the patent law decisions published by the United States Court of Appeals for the Federal Circuit in 1990. It is intended to serve as a practical tool for the practitioner seeking to learn what issues of patent law were considered and decided by the Federal Circuit in the past year. The article provides a concise review of the facts and legal issues presented in each patent opinion published by the Federal Circuit in 1990, together with a summary of the appellate court's determination of those issues.

Six of the patent decisions published by the Federal Circuit in 1990 appear to be of particular significance:

In *Amgen, Inc. v. U.S. International Trade Commission*<sup>1</sup> the Federal Circuit considered the extent of protection afforded under 19 USC § 1337(a) against the importation of allegedly infringing goods. The Federal Circuit determined that 19 USC § 1337(a) prohibits imports which are made by using a *process* protected by a U.S. patent, but does not prohibit imports which are made by a process that merely uses an *article* protected by a U.S. patent.

In *Wilson Sporting Goods Co. v. David Geoffrey & Associates*<sup>2</sup> the Federal Circuit clarified that, in contrast to some of the Court's previous statements, the doctrine of equivalents does not "expand" the scope of a patent claim. However, the range of permissible equivalents of a patent claim under the doctrine may nevertheless be limited by the prior art. As proposed by the Federal Circuit in *Wilson Sporting Goods*, the test for determining whether the prior

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1. 902 F.2d 1532 (Fed. Cir. 1990).

2. 904 F.2d 677 (Fed. Cir. 1990).

art restricts the range of permissible equivalents requires consideration of the patentability of a hypothetical claim that is sufficient in scope to literally cover the allegedly infringing product.

In *In re Bond*<sup>3</sup> the Federal Circuit considered the requirements for a proper rejection, under 35 USC § 102, of a claim containing means-plus-function terminology. As expressed by the Federal Circuit, a proper rejection under § 102 requires consideration of whether the function performed by the prior art device is caused by a structure within the prior art device and, if so, whether the structure is equivalent to that disclosed in the application as being exemplary of the claimed means for performing the function.

The requirements of a proper "best mode" analysis under 35 USC § 112 were discussed by the Federal Circuit in *Chemcast Corp. v. Arco Industries Corp.*<sup>4</sup> The Federal Circuit concluded that a proper best mode analysis requires a comparison between what the inventor knew at the time the patent application was filed and what the inventor disclosed in the patent application to determine whether the disclosure is adequate to enable a skilled artisan to practice the inventor's contemplated best mode. The best mode requirement of § 112 may therefore be violated where an inventor fails to disclose *non*-claimed elements, if those non-claimed elements are necessary to practice the best mode of carrying out the claimed invention.

In *VE Holding Corp. v. Johnson Gas Appliance Co.*<sup>5</sup> the Federal Circuit concluded that the 1988 amendment of 28 USC § 1391(c) changed the meaning of the term "resides" in 28 USC § 1400(b), and thus changed the long-standing interpretation of the patent venue statute. Consequently, with respect to a defendant that is a corporation, the first test for venue under 28 USC § 1400(b) is whether the defendant was subject to personal jurisdiction in the district of suit at the time the action was commenced.

In *In re Dillon*<sup>6</sup> the Federal Circuit considered the requirements necessary to establish, under 35 USC § 103, a *prima facie* showing of obviousness of a chemical composition. The Federal Circuit concluded that a *prima facie* showing of obviousness is established by a demonstration that the claimed chemical composition is similar to chemical compositions disclosed in the prior art, and that the reason or motivation for developing the claimed chemi-

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3. 910 F.2d 831 (Fed. Cir. 1990).

4. 913 F.2d 923 (Fed. Cir. 1990).

5. 917 F.2d 1574 (Fed. Cir. 1990).

6. 919 F.2d 688 (Fed. Cir. 1990).

cal composition can be found in the prior art. A suggestion of the properties of the claimed chemical composition in the prior art is not necessary to establish a prima facie showing.

## I. NOVELTY — 35 USC § 102

### A. *The Existence of the "On Sale" Bar Depends Upon the Totality of the Circumstances*

To determine whether an offer to sell an invention under 35 USC § 102(b) has in fact been made, the "totality of the circumstances" must always be considered.<sup>7</sup> The "totality of the circumstances" approach is necessary because the "on sale" bar of § 102(b) is, in effect, defined by the policies or purposes underlying the bar.<sup>8</sup> These policies include: discouraging removal of inventions from the public domain that the public has reasonably come to believe are freely available; favoring the prompt and widespread disclosure of inventions; allowing the inventor a reasonable amount of time following sales activity to determine the potential economic value of a patent; and prohibiting the inventor from commercially exploiting his invention beyond the statutorily prescribed time.<sup>9</sup>

Whether the policies underlying the on-sale bar supported its application was the principal issue presented in *Envirotech Corp. v. Westech Engineering, Inc.*<sup>10</sup> The subject patent in *Envirotech* was directed to a ballasted digester cover for use in wastewater treatment plants. The patent application had been filed on May 29, 1981. The "critical date" under 35 USC § 102(b) was therefore May 29, 1980.

The invention had been conceived sometime between February and May, 1980. Prior to May 8, 1980, the patent owner had submitted a proposal for a ballasted digester cover to a group of general contractors. The evidence indicated that the patent owner's strategy was to offer a prior art design in the proposal and then later attempt to substitute the patented invention in the actual project. Thus, although the patent owner intended to ultimately exploit the invention on the project, the proposal offered a ballasted digester cover in accordance with a prior art design. On May 8, 1980, the patent owner's proposal was accepted.

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7. *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 860, (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986).

8. *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1062, (Fed. Cir. 1989).

9. *King Instrument Corp. v. Otari Corp.*, 767 F.2d at 860; *See also* *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544 (Fed. Cir. 1990).

10. 904 F.2d 1571 (Fed. Cir. 1990).

The district court granted the accused infringer's motion for partial summary judgment, holding that the patent owner's May 8 proposal to sell a ballasted digester cover placed the invention "on sale" within the meaning of 35 USC § 102(b).<sup>11</sup> The patent owner appealed the judgment of the district court.<sup>12</sup>

On appeal, the Federal Circuit noted that 35 USC § 102(b) requires the inventor's attempt to exploit the invention to be objectively manifested as a definite sale or offer to sell the invention. The subjective, uncommunicated, and ultimate intention of the inventor, however clear, is not alone sufficient to trigger the on-sale bar. Applying this standard to the evidence of record, the Federal Circuit concluded that the patent owner neither definitely offered for sale, nor otherwise exploited the invention, until after the critical date of May 29, 1980.

The Federal Circuit distinguished *Envirotech* from *RCA Corp. v. Data General Corp.*<sup>13</sup> with respect to two significant facts. First, in *Envirotech*, the bid document clearly specified a prior art design rather than the patented invention, while in *RCA*, the bid document contained a technical description sufficient to identify the patented invention.<sup>14</sup> Second, the patent owner in *Envirotech* intended to keep the patented design confidential until after the critical date.<sup>15</sup> In *RCA*, the offeror intended to offer the invention prior to the critical date.<sup>16</sup> It was these factors which led the court to the two different results regarding the on-sale bar.

In *Envirotech*, the Federal Circuit found that while the evidence showed that the patent owner intended to ultimately exploit the invention on the project, the evidence did not support the conclusion that the patent owner had offered the invention for sale prior to the critical date. The relevant public (the general contractors that received the patent owner's proposal) could not have come to believe that the invention was freely available based upon the May 8 proposal. Accordingly, the judgment of the district court was reversed and the case remanded.

The issue of whether the totality of the circumstances established the existence of an "on sale" bar was also present in *U.S.*

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11. *Envirotech Corp. v. Westech Engineering, Inc.*, 713 F. Supp. 372, 377 (D. Utah 1989).

12. *Envirotech Corp. v. Westech Engineering, Inc.* 904 F.2d at 1571.

13. 887 F.2d 1056.

14. *Envirotech Corp. v. Westech Engineering, Inc.*, 904 F.2d at 575-76.

15. 904 F.2d at 1576.

16. 887 F.2d at 1060.

*Environmental Products, Inc. v. Westall*.<sup>17</sup> In this case, the patent owner had sold a version of the patented sludge dewatering system to the City of Sunrise, Florida. The purchase agreement had been signed on September 29, 1976. The patent had been filed on August 2, 1978. Thus, the "critical date" under 35 USC § 102(b) was August 2, 1977.

After a jury trial, the district court held the patent invalid because the invention had been on sale more than one year prior to the patent application filing date. The district court concluded that the patent owner had failed to meet its burden of coming forward with sufficient evidence to counter the *prima facie* showing of an on-sale bar.

On appeal, the patent owner argued that the district court had improperly imposed upon it the burden of proving experimental use.<sup>18</sup> The Federal Circuit disagreed, noting that once a *prima facie* case of an on-sale bar is demonstrated, the burden is on the patent holder to "come forward with convincing evidence to counter that showing."<sup>19</sup>

The Federal Circuit further noted that the district court had appropriately considered a number of factors in considering whether the "totality of the circumstances" established the existence of an on-sale bar.<sup>20</sup> For example, the final offer-to-sell letter provided that the dewatering units would be completely under the control of the purchaser. The Federal Circuit found that the patent owner's lack of supervision over the operation of the invention, while not controlling, was strong evidence of a commercial purpose.<sup>21</sup>

Despite evidence of some tests, the lack of written progress records provided additional circumstantial evidence of a non-experimental purpose.<sup>22</sup> Evidence of lack of secrecy obligations on the part of the user,<sup>23</sup> and the existence of promotional activities,<sup>24</sup> were

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17. 911 F.2d 713 (Fed. Cir. 1990).

18. A § 102(b) bar is avoided if the primary purpose of the sale is experimental. *Baker Oil Tools, Inc. v. Geo Vann, Inc.*, 828 F.2d 1558, 1563 (Fed. Cir. 1987); *UMC Elecs. Co. v. United States*, 816 F.2d 647, 657 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988).

19. *TP Laboratories, Inc. v. Professional Positioners, Inc.*, 724 F.2d 965, 971 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 826 (1984).

20. *See, e.g., Harrington Mfg. Co. v. Powell Mfg. Co.*, 815 F.2d 1478, 1480-81 & n.2 (Fed. Cir. 1986).

21. *See In re Hamilton*, 882 F.2d 1576 (Fed. Cir. 1989); *See also In re Smith*, 714 F.2d 1127, 1136 (Fed. Cir. 1983).

22. *See TP Laboratories v. Professional Positioners, Inc.*, 724 F.2d at 969.

23. *Hycor Corp. v. Schlueter Co.*, 740 F.2d 1529, 1535 (Fed. Cir. 1984).

24. *Harrington Mfg. Co. v. Powell Mfg. Co.*, 815 F.2d at 1481.

also viewed by the Federal Circuit as inconsistent with the patent owner's claim of experimental use.

Evidence that the patent owner did not make a profit on the installation, but was only reimbursed for part of its actual costs, was unpersuasive. A patent owner may create an on-sale bar despite losing money on a sale.<sup>25</sup> Similarly, evidence that the purchaser was advised and understood that the system was "experimental" was not dispositive. The subjective belief of inventors or customers that the system was "experimental" must be weighed against objective evidence which indicates otherwise.<sup>26</sup>

The Federal Circuit acknowledged that, under certain circumstances, an inventor may need to have a customer test the invention to determine that it works as intended. However, the question is whether the facts lead to the conclusion that the subject sale was for such a purpose.<sup>27</sup> In *U.S. Environmental Products, Inc.* the totality of the circumstances indicated that the sale was for a commercial, not an experimental, purpose. The Federal Circuit, by affirming the district court's ruling, found that the patent was invalid by virtue of the on-sale bar.

### B. *The Requirements of a "Printed Publication"*

To serve as a "printed publication" under 35 USC § 102(b), a document must be generally available.<sup>28</sup> Whether four allegedly anticipatory documents were sufficiently available to constitute "printed publication" under 35 USC § 102(b) was an issue raised in *Northern Telecom, Inc. v. Datapoint Corp.*<sup>29</sup>

The documents in question were four reports on aspects of the "AESOP-B" system (a complex military system for on-line distributed computer processing of logistical data). The documents were housed in a library at the company having principal responsibility for developing the AESOP-B system. Access to the library was restricted to persons authorized by the company. The reports were not under security classification, and were distributed to approxi-

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25. *Barmag Barmer Maschinenfabrik AG v. Murata Mach., Ltd.*, 731 F.2d 831, 840 (Fed. Cir. 1984).

26. *In re Brigrance*, 792 F.2d 1103, 1108 & n.8 (Fed. Cir. 1986); *Harrington Mfg. Co. v. Powell Mfg. Co.*, 815 F.2d at 1481 & n.3.

27. *See City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1877).

28. *In re Hall*, 781 F.2d 897, 899 (Fed. Cir. 1986); *Massachusetts Institute of Technology v. AB Fortia*, 774 F.2d 1104, 1109 (Fed. Cir. 1985); *In re Wyer*, 655 F.2d 221, 226-27 (C.C.P.A. 1981).

29. 908 F.2d 931 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 296 (1990).

mately fifty persons or organizations involved in the AESOP-B project.

While only one of the documents contained the notice "Reproduction or further dissemination is not authorized . . . not for public release."<sup>30</sup>

The Federal Circuit agreed with the district court's finding that all of the documents "were of the class of documents that would have been distributed with such a notice" and "may have" contained such a notice.<sup>31</sup> In addition, the Federal Circuit was unable to find that anyone could have had access to the documents by exercising reasonable diligence. The Federal Circuit affirmed that these documents were not printed publications under 35 USC § 102(b).

### C. 35 USC § 102(g) is Applicable in Infringement Litigation

In the case of *New Idea Farm Equipment Corp. v. Sperry Corp.*,<sup>32</sup> the Federal Circuit reaffirmed the notion that 35 USC § 102(g)<sup>33</sup> is applicable in situations other than interferences.

In *New Idea Farm Equipment* the suit resulted from patent applications filed in 1973. In 1971 an application for a similar invention had been filed by a different inventive entity, resulting in the issuance of U.S. Patent No. 3,832,837 (the '837 patent).

The accused infringer's defense was based on patent invalidity, arguing that the prior invention by the inventor named in the '837 patent invalidated the patents in suit under 35 USC §§ 102(a) and (g). After a jury determination that the inventor named in the '837 patent was the first to both conceive and reduce the invention to practice, the district court held that the patents in suit were invalid based on 35 USC §§ 102(a) and 102(g).

The Federal Circuit agreed, stating that while 35 USC § 102(g) is more commonly applied to interferences, it is also applicable to prior invention situations other than in the context of an interference.<sup>34</sup> The Federal Circuit concluded that the dates of conception and reduction to practice shown by the inventor named in the '837 patent were relevant in determining whether his inventive activity was prior to, and therefore invalidated, by the patents in suit under

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30. *Id.* at 1325.

31. *Id.*

32. 916 F.2d 1561 (Fed. Cir. 1990).

33. 35 U.S.C. § 102 provides, in pertinent part, that a "person shall be entitled to a patent unless— . . . (g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it."

34. See *E.I. Du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 986 (1988).



§ 102(g). The Federal Circuit therefore affirmed the judgment of invalidity under 35 USC § 102(g).

D. *Novelty of a Claim Containing "Means-Plus-Function" Terminology*

The case of *In re Bond*<sup>35</sup> involved an appeal from a decision of the Board of Patent Appeals and Interferences affirming a final rejection under 35 USC § 102 based upon a single patent reference.

The claims defined a combination of elements, including a "delay means" recited in "means-plus-function" terminology. In rejecting the claim, the Board found that the cited reference also disclosed a delay means. However, the Board made no finding that the delay means disclosed in the reference and the delay means defined in the application claims were structurally equivalent.

On appeal, the Federal Circuit noted that a "means-plus-function" limitation is required by statute to be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.<sup>36</sup>

The Board was therefore required to consider whether the delay experienced by the device disclosed in the reference is caused by any "structure" within the reference device. If so, the Board must also consider whether this "structure" is equivalent to that disclosed in the application as being exemplary of the claimed delay means. The invention claimed in the application is anticipated by the reference only if each of these inquiries is answered in the affirmative. Because the Board did not make these inquiries, its decision as to anticipation was deficient. The Federal Circuit therefore vacated the decision and remanded the case.

E. *Overcoming a Reference Based on the Invention's New Properties*

The subject invention in *In re Spada*<sup>37</sup> was a pressure sensitive adhesive composition. The application claims, which consisted entirely of composition claims, were rejected by the Board as unpatentable under 35 USC §§ 102 and 103 in view of a single reference. The reference and the application both disclosed polymers of the same monomers. However, the reference and the application described the products obtained as being quite different.

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35. 910 F.2d 831 (Fed. Cir. 1990).

36. See *In re Iwahashi*, 888 F.2d 1370, 1375 n.1 (Fed. Cir. 1989).

37. 911 F.2d 705 (Fed. Cir. 1990).

The applicant's position on appeal to the Federal Circuit was that the claimed polymers were not anticipated by the polymers of the reference because the properties of the claimed polymers and the prior art polymers were different.

The Federal Circuit noted, however, that the initial inquiry is to the novelty of the claimed composition, rather than its properties. The discovery of a new or nonobvious property or use of a previously known composition cannot impart patentability to claims directed to a known composition, even when that property and use are unobvious from the prior art.<sup>38</sup>

The Federal Circuit found in *Spada* that the virtual identity of monomers and procedures sufficed to support a *prima facie* case of unpatentability for lack of novelty.<sup>39</sup> The burden of showing that the claimed polymer compositions were different from those described in the reference was therefore reasonably placed upon the applicant.<sup>40</sup> The Federal Circuit found that this burden is not met simply reciting the assertedly different properties in the claims. The court explained that when a claimed composition is not novel, it is not rendered novel merely by recitation of properties, regardless of whether such properties are shown or suggested in the prior art. The decision of the Board rejecting the claims of the patent application was therefore affirmed.

## II. OBVIOUSNESS — 35 USC § 103

### A. *Prima Facie Obviousness Does Not Require a Prior Art Suggestion of the Properties of the Invention*

The burden imposed on examiners in establishing a *prima facie* showing of obviousness was addressed by the Federal Circuit in the case of *In re Dillon*.<sup>41</sup> The subject invention in *Dillon* was a hydrocarbon fuel containing an amount of tetra-orthoester sufficient to reduce the particulate emissions from the combustion of the fuel. The applicant had discovered that the inclusion of tetra-orthoesters in hydrocarbon fuel reduced the emission of solid particulates (*i.e.*, soot) during fuel combustion.

Tetra-orthoesters are a known class of chemical compound. They are structurally similar to tri-orthoesters. The examiner had

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38. *Titanium Metals Corp. v. Banner*, 778 F.2d 775, 780, 782 (Fed. Cir. 1985); *In re Pearson*, 494 F.2d 1399 (C.C.P.A. 1974); *In re Lemin*, 326 F.2d 437, 440 (C.C.P.A. 1964).

39. *See, e.g., In re Thorpe*, 777 F.2d 695, 697-98 (Fed. Cir. 1985).

40. *In re King*, 801 F.2d 1324, 1327 (Fed. Cir. 1986); *In re Ludtke*, 441 F.2d 660, 664 (C.C.P.A. 1971).

41. 919 F.2d 688 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1682 (1991).

uncovered prior art describing the use of tri-orthoesters as a hydrocarbon fuel additive. However, the examiner had not uncovered any prior art describing the use of tetra-orthoesters as a hydrocarbon fuel additive. Nor had the examiner found any prior art showing or suggesting the use of tetra-orthoesters as an additive to reduce particulate emissions from combustion of hydrocarbon fuel. The examiner nevertheless decided that the prior art established a *prima facie* showing of obviousness.

In response, the applicant argued that the lack of any prior art describing or suggesting the properties of and results achieved by the invention (*i.e.*, the reduction of soot from combustion of hydrocarbon fuel) was sufficient to demonstrate that a *prima facie* showing had not been established.

The Federal Circuit agreed with the examiner, concluding that a suggestion of the properties of the invention in the prior art is not necessary to establish a *prima facie* showing. All that is necessary is a demonstration that the claimed invention is similar to inventions disclosed in the prior art, and that the reason or motivation for developing the claimed invention can be found in the prior art. Once these two requirements are met, according to the Federal Circuit, the *prima facie* showing of obviousness is established.<sup>42</sup>

The Federal Circuit stated that the properties of an invention are still relevant to establishing a *prima facie* showing, but only to the extent that the invention's properties may affect the second of these two requirements (*i.e.*, the reason or motivation for developing the invention).<sup>43</sup> That is, if the prior art fails to disclose useful properties for inventions that are related to the claimed invention, then this may indicate that the motivation for developing the claimed invention can not be found in the prior art, thereby precluding a *prima facie* showing. However, a *prima facie* showing is not precluded merely because the prior art fails to describe or suggest the properties of and results achieved by the claimed invention.

The Federal Circuit noted that its decision in *Dillon* does not preclude a patent applicant from overcoming the *prima facie* showing in a number of different ways. For example, the applicant may still present comparison test data showing that the invention produces unexpectedly improved results when compared with the prior art. The applicant may also challenge the *prima facie* showing on grounds that the showing is insufficiently supported, incorrect, or based on illogical reasoning.

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42. *Id.* at 1901.

43. *Id.* at 1905.

B. *Findings on Obviousness Must be Predicated On Factual Determinations*

To establish invalidity under 35 USC § 103, certain factual predicates are required before the legal conclusion of obviousness or nonobviousness can be reached. The underlying factual determinations to be considered are (1) the scope and content of the prior art, (2) the differences between the claimed invention and the prior art, (3) the level of ordinary skill in the art, and (4) objective evidence of non-obviousness, such as commercial success, long-felt but unsolved need, failure of others, copying, and unexpected results.<sup>44</sup>

The issue of whether these underlying factual determinations had been adequately established was presented in the case of *Greenwood v. Hattori Seiko Co.*<sup>45</sup> In *Greenwood* the accused infringer filed a request for reexamination of the subject patent in response to the patent owner's suit for infringement.

During the reexamination proceeding, the examiner initially rejected all claims of the subject patent under 35 USC § 103. The patent owner responded by traversing the merits of the rejection and by filing an affidavit under 35 CFR § 1.131 demonstrating conception of the invention prior to the date of the cited references. The examiner consequently issued a Reexamination Certificate.

Following the conclusion of the reexamination proceeding, the district court, on motion for summary judgment by the accused infringer, held that the patent owner's affidavit under 35 CFR § 1.131 was insufficient to antedate the cited references because the affidavit was "silent" as to the required showing of diligence between the asserted date of conception and reduction of practice. After finding the affidavit insufficient, the district court reinstated the examiner's initial rejection for obviousness and held the patent invalid under 35 USC § 103 based on the initial action of the examiner.<sup>46</sup>

On appeal, the Federal Circuit found that the district court's Memorandum and Order was, in essence, an inappropriate review of the PTO's reexamination proceeding. The Federal Circuit determined that the district court had improperly treated the reexamination as if it were part of the patent owner's suit against the accused infringer.

The Federal Circuit stated that in an infringement suit before a

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44. *Graham v. John Deere Co.*, 383 U.S. 117 (1966); *Perkin-Elmer Corp.*, 732 F.2d 888, 894 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 857 (1984).

45. 900 F.2d 238 (Fed. Cir. 1990).

46. *Greenwood v. Seiko Instruments and Electronics, Ltd.*, 711 F. Supp. 30 (D.D.C. 1989).

district court, the invalidity of a patent under 35 USC § 103 must be decided on the basis of prior art presented in the proceeding before the court. The issue cannot be decided merely by accepting or rejecting the adequacy of the positions taken by the patentee in order to obtain a Certificate of Reexamination.

The district court must analyze the prior art references relied on by the accused infringer in the manner required by *Graham* to determine whether the references would have rendered the invention obvious under § 103. Since the district court in *Greenwood* failed to make the requisite factual findings or stipulations, the Federal Circuit found no basis for reviewing the district court's legal determination of obviousness. The Federal Circuit therefore vacated the district court's summary judgment of obviousness under 35 USC § 103.

### C. *Weight Given to Unpredictability of Biological Properties*

The subject patent in *In re Eli Lilly & Co.*<sup>47</sup> was directed to a method of using the chemical compound X537A to enhance feed conversion efficiency in mature ruminant animals, such as cattle and sheep.

The references cited during a reexamination of the patent disclosed the control of coccidiosis in fowl by treatment with X537A, and the weight gain effect of this treatment. The cited references also disclosed an "animal feed composition" containing X537A "for aiding in improving the efficiency of conversion of feed to weight gains." The cited references stated that animals raised commercially for food purposes and subject to coccidiosis include "poultry . . . , sheep, cattle, swine, etc."

The examiner found that the cited references established a *prima facie* case of obviousness, since the references showed the same compound, X537A, as having the same general property of enhancing weight gain in animals as in the claimed invention. The patentee asserted that the patentability of the claims was established by the difference between weight gains of steers and calves. The Board held that the patentee's evidence of improved feed efficiency in steers as compared with calves did not outweigh the disclosure of the cited references, and therefore held the reexamination claims unpatentable under 35 USC § 103.

On appeal, the Federal Circuit noted that the patentee had not claimed a narrow improvement limited to details not shown in the

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47. 902 F.2d 943 (Fed. Cir. 1990).

prior art, had not shown unexpected superiority over the properties taught in the prior art, and had not shown that the claimed use achieved unexpected results compared with the prior art disclosure of the same use with the same animals. The cited references stated that X537A had the specific property of aiding weight gain in animals, especially in cattle and sheep. Although the unpredictability of biological properties is recognized and given weight when determining obviousness, in *In re Eli Lilly & Co.*, the Federal Circuit found that the prior art taught the claimed use with specificity.

The Federal Circuit therefore concluded that the evidence of unobviousness did not outweigh the clear prior art teaching of the property and use of "increasing the efficiency of feed utilization in ruminant animals."<sup>48</sup> Consequently, the Federal Circuit affirmed the decision of the Board rejecting all of the claims under 35 USC § 103.

D. *Obviousness of a Method of Making Distinguished From Obviousness of a Method of Using*

Whether an applicant who is entitled to claims drawn to a novel compound should also be entitled to claims drawn to a method of using the novel compound was the issue presented in *In re Pleuddemann*.<sup>49</sup>

The patent applicant in *Pleuddemann* had sought allowance of claims directed to a method of using a novel compound for bonding or priming. The PTO had previously allowed claims directed to the novel compound itself, but had rejected all claims directed to the method of using the novel compound. The rejection was predicated solely on 35 USC § 103 on the ground of obviousness in view of the inventor's own U.S. Patent No. 3,258,477.<sup>50</sup>

On appeal, the Federal Circuit noted that when a new and useful compound is invented having a particular use, it is possible that the invention may be viewed legally as having at least three different aspects, permitting it to be claimed in three different ways. The invention may be claimed, for example, as: (1) the novel compound itself; (2) the method of *making* the novel compound; and (3) the method of *using* the novel compound for its intended purpose.<sup>51</sup>

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48. *In re Eli Lilly & Co.*, 902 F.2d at 948 (quoting from claim 1).

49. 910 F.2d 823 (Fed. Cir. 1990).

50. The subject application in *Pleuddemann* incorporated by reference the disclosure of the inventor's '477 patent.

51. *In re Pleuddemann*, *supra* note 49, at 825, (citing *In re Kuehl*, 475 F.2d 658 (C.C.P.A. 1973)).

There may be, however, a significant distinction between claims directed to a method of *making* a novel compound and claims directed to a method of *using* the novel compound. Claims directed to a method of making a novel compound can be obvious, even though the compound itself is not. Therefore, cases dealing with claims directed to a method of making a novel compound may involve different problems than cases dealing with claims directed to a method of using the novel compound.

The Federal Circuit further noted that the case of *In re Durden*,<sup>52</sup> on which the Board relied, involved claims directed to a method of making a novel compound, not a method of using a novel compound. The single claim on appeal in *Durden* was held to be directed to obvious subject matter in view of prior art disclosing a similar method, notwithstanding the fact that unobvious starting materials were used and unobvious products were obtained.

In *Pleuddemann*, in contrast to *Durden*, the claims were not directed to a method of making a novel compound, but instead were directed to a method of using a novel compound. Consequently, the Federal Circuit did not find *Durden* to be controlling precedent, as had the Board.<sup>53</sup> The Federal Circuit therefore held that the applicant was entitled to the method of use claims, together with the already allowed article of manufacture claims.

*E. Claiming a New Benefit of an Old Process Does Not Render the Process Nonobvious*

The issue presented in the case of *In re Woodruff*<sup>54</sup> was whether the Board had properly rejected the applicant's claims as obvious under 35 USC § 103 in light of a prior art reference.

The applicant claimed a method for inhibiting the growth of fungi on fresh fruits and vegetables by storing the vegetables in a specified modified atmosphere. The modified atmosphere included various ranges of gas concentrations and temperatures. The prior art reference disclosed all of the claimed ranges of gas concentrations and temperatures except for one claimed gas concentration (which overlapped with or was contiguous with that disclosed in the prior art).

The Federal Circuit found the slight differences between the claimed invention and the prior art with respect to gas concentration ranges were not sufficient to render the claimed process patent-

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52. 763 F.2d 1406 (Fed. Cir. 1985).

53. *In re Pleuddemann*, *supra* note 49, at 826.

54. 919 F.2d 1575 (Fed. Cir. 1990).

able. In view of these slight differences, the applicant was reasonably required to show that the particular claimed range was critical, such as by showing that the claimed range achieved unexpected results relative to the prior art range.<sup>55</sup> The Federal Circuit found that the applicant had failed to make such a showing.

Nor was patentability established by the newly disclosed benefit of inhibiting the growth of fungi. The Federal Circuit noted that merely discovering and claiming a new benefit of an old process does not render the old process patentable.<sup>56</sup> Even where the processes encompassed by the claims is not entirely old, the rule is still applicable to the extent that the claims and the prior art overlap.

The Federal Circuit therefore held that the Board correctly affirmed the rejection under 35 USC § 103.

F. *Obviousness is Determined by Viewing the Claimed Invention as a Whole*

The issue in *Gillette Company v. S.C. Johnson & Son, Inc.*<sup>57</sup> was whether the district court had applied the proper test in determining that the patent at issue was not rendered obvious by the prior art.<sup>58</sup>

The patented composition included a "water-soluble gelling agent." While the individual components of the patented invention were well known at the time the invention was made, the district court found that the prior art made no suggestion of substituting the claimed water-soluble gelling agent for the prior art gelling agent. The Federal Circuit noted that obviousness is properly determined by viewing the claimed invention as a whole.<sup>59</sup> The accused infringer's focus on the obviousness of substitutions and differences, instead of on the invention as a whole, was therefore a

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55. See, e.g., cites in *id.* at 1578; see also, e.g., *Gardner v. TEC Sys., Inc.*, 725 F.2d 1338, (Fed. Cir.), *cert. denied*, 469 U.S. 830 (1984); *In re Boesch*, 617 F.2d 272 (C.C.P.A. 1980); *In re Ornitz*, 351 F.2d 1013 (C.C.P.A. 1965); *In re Aller*, 220 F.2d 454 (C.C.P.A. 1955).

56. *In re Woodruff*, *supra* note 54, at 1578 (citing *Verdegaal Bros. Inc. v. Union Oil Co.*, 814 F.2d 628, 632-33 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 827 (1987) and *Bird Provision Co. v. Owens Country Sausage, Inc.*, 568 F.2d 369, 375 (5th Cir. 1978)).

57. 919 F.2d 720 (Fed. Cir. 1990) [hereinafter *Gillette*].

58. The Federal Circuit had previously upheld the validity of the patent at issue in *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198 (Fed. Cir. 1986). The primary reference before the trial court there was the same as in the present suit.

59. *Gillette*, *supra* note 57, at 724 (citing *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1448 (Fed. Cir. 1984)).



legally improper way of determining obviousness.<sup>60</sup>

The Federal Circuit also found that it was proper for the district court to consider the commercial success of the patented invention, noting that a determination of the obviousness of a combination must include consideration of the results achieved by that combination.<sup>61</sup> The Federal Circuit held that the objective evidence of the patent owner's commercial success supported the non-obviousness of the patented claims.

Thus, the Federal Circuit concluded the district court properly applied the law of 35 USC § 103 in finding the patented invention was not obvious in light of the prior art.

G. *Functional Similarities to the Prior Art do Not Render a Claimed Device Obvious*

The case of *In re Mills*<sup>62</sup> involved an appeal from the decision of the Board affirming a rejection of claims under 35 USC § 103. All of the rejected claims were apparatus claims.

The Board found that the difference between the claimed device and the cited reference resided solely in functional language. The Board, relying on *In re Ludtke*,<sup>63</sup> concluded that the applicant had failed to meet the burden of showing that the device disclosed in the cited reference lacked the functional characteristics of the claimed device.

The Federal Circuit noted, however, that *Ludtke* dealt with a rejection for lack of novelty under 35 USC § 102. Under § 102, proof that a prior art device lacks the functional characteristics of the claimed device would tend to negate the assertion that the claimed device is anticipated by the prior art device. Consequently, it is proper to require an applicant to show that the device disclosed in the cited reference lacks the functional characteristics of the claimed device.

In contrast to *Ludtke*, however, *Mills* involved a rejection for obviousness under 35 USC § 103. Under § 103, it is not pertinent whether the prior art device possesses the functional characteristics of the claimed device, so long as the reference does not describe or suggest the structure of the claimed device. Consequently, it is not

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60. *Gillette*, *supra* note 57, at 724 (citing *Hybritech, Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1383 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987)).

61. *Gillette*, *supra* note 57, at 725 (citing *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1143 (Fed. Cir. 1985) and *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966)).

62. 916 F.2d 680 (Fed. Cir. 1990).

63. 441 F.2d 660 (C.C.P.A. 1971).

proper to require an applicant to show that the device disclosed in the cited reference lacks the functional characteristics of the claimed device.

The Federal Circuit concluded that the cited reference in fact did not describe or suggest the structure of the claimed device. Consequently, the court reversed, holding that the Board had erred in affirming the rejection of the claims as obvious.

### III. SPECIFICATION — 35 USC § 112

#### A. *Best Mode Requirement May Require Disclosure of Non-claimed Elements*

The subject patent in *Chemcast Corp. v. Arco Industries Corp.*<sup>64</sup> claimed a sealing member in the form of a grommet or plug button designed to seal an opening in, for example, a sheet metal panel.

The district court invalidated the patent because of the inventor's failure to disclose the best mode as required by 35 USC § 112.<sup>65</sup> According to the district court, the principal shortcomings of the disclosure were its failure to specify (1) the particular type, (2) the hardness, and (3) the supplier and trade name of the material used to make the locking portion of the grommet.

On appeal, the Federal Circuit noted initially that a proper best mode analysis has two components. The first is whether, at the time the patent application was filed, the inventor knew of a mode of practicing the claimed invention that the inventor considered to be better than any other. This part of the inquiry is wholly subjective. If the inventor in fact contemplated such a best mode, then the second part of the analysis compares what the inventor knew with what the inventor disclosed to determine whether the disclosure is adequate to enable a skilled artisan to practice the inventor's contemplated best mode. Assessing the adequacy of the disclosure is largely an objective inquiry that depends upon the scope of the claimed invention and the level of skill in the art.

The patent owner in *Chemcast* argued that, because the patent did not claim any specific material for making the locking portion of the grommet, the failure to disclose the particular material that the inventor thought worked best did not violate the best mode requirement. The Federal Circuit disagreed, stating that the best mode requirement may be violated where an inventor fails to dis-

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64. 913 F.2d 923 (Fed. Cir. 1990).

65. See *Chemcast Corp. v. Arco Indus. Corp.* 12 U.S.P.Q.2d (BNA) 2005 (E.D. Mich. 1989).

close *non-claimed* elements, if those non-claimed elements are nevertheless necessary to practice the best mode of carrying out the claimed invention.<sup>66</sup>

Under the best mode requirement of § 112, the question is not whether a skilled artisan could practice the claimed invention without knowledge of the best mode material. Instead, the question is whether a skilled artisan could practice the best mode of the invention as contemplated by the inventor. In *Chemcast* the record showed that the inventor had selected a best mode material for the invention, knew the preferred hardness of this best mode material, and purchased all of the best mode material under a specific trade name from a single manufacturer. The Federal Circuit found that because the patent owner used only the best mode material, because certain characteristics of the best mode material were claimed elements of the invention, and because the inventor himself did not know the formula, composition, or method of manufacture of the best mode material, § 112 obligated the inventor to disclose the specific supplier and trade name of the best mode material in the patent specification.

The record further indicated that the supplier of the best mode material considered the formulation of the material to be a trade secret. The Federal Circuit found this fact to have no bearing on the state of the inventor's knowledge or the adequacy of the patent disclosure. Regardless of the scope of a manufacturer's asserted trade secret, to the extent that the trade secret includes information known by the inventor that the inventor considers part of the best mode, § 112 requires the inventor to divulge the information.<sup>67</sup>

The Federal Circuit concluded that, given the specification and the level of skill in the art, a skilled practitioner could neither have known what the inventor's contemplated best mode was nor have carried it out. Accordingly, the judgment of the district court was affirmed.

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66. See, e.g., *Dana Corp. v. IPC Ltd. Partnership*, 860 F.2d 415, 419 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989); *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1536 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 954 (1987).

67. See *White Consol. Indus. v. Vega Servo-Control*, 713 F.2d 788, 791 (Fed. Cir. 1983).

## IV. BENEFIT OF EARLIER U.S. FILING DATE — 35 USC § 120

A. *Distinction Between the Requirements of a Claim-Supporting Disclosure and a Claim-Anticipating Disclosure*

An issue raised in *Chester v. Miller*<sup>68</sup> concerned the patentability of claims in U.S. Patent Application Serial No. 514,122 ("the '122 application"). The claims in the '122 application had been rejected as unpatentable under 35 USC § 102(b) based upon U.S. Patent No. 4,309,280 ("the '280 patent"). The '122 application had been filed as a continuation-in-part of the application that ultimately issued as the '280 patent. The '122 application had relied upon the benefit of the earlier filing date of the '280 patent under 35 USC § 120.

The examiner reviewing the '122 application found that the '280 patent was a "printed publication" in existence more than one year before the filing date of the '122 application. The examiner also concluded that the '280 patent did not support the subject matter defined by the '122 application claims. The examiner therefore concluded that the '280 patent was prior art with respect to the '122 application, and consequently rejected the '122 application claims as unpatentable under § 102(b) based upon the '280 patent. The rejection was affirmed by the Board.

On appeal to the Federal Circuit, the applicant argued that it was legally anomalous for the examiner to first assert that the '280 patent failed to provide sufficient written description to support the '122 application claims, and then to find that the '280 patent anticipated those very claims.

The Federal Circuit noted, however, that differences exist between the requirements of a claim-anticipating disclosure and the requirements of a claim-supporting disclosure.<sup>69</sup> Although a patent might contain a disclosure satisfying the § 112 written description requirement with respect to the claims in that patent, it could still be § 102(b) prior art as to broader claims of a subsequent application, even though it did not contain a disclosure satisfying the § 112 description requirement with respect to the anticipated broader claims.<sup>70</sup> This was the reason for the apparent legal anomaly noted by the applicant in *Chester*, since the prior art '280 patent disclosed a species of a broader genus sought to be claimed in the later '122

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68. 906 F.2d 1574 (Fed. Cir. 1990).

69. *In re Lukach*, 442 F.2d 967, 969-70 (C.C.P.A. 1971).

70. *See id.*

application. Consequently, the Federal Circuit found no impermissible anomaly or logical inconsistency in the rejection and affirmed the Board's finding of anticipation.

## V. DIVISIONAL APPLICATIONS — 35 USC § 121

### A. *Divisional Applications and Obviousness-Type Double Patenting*

The patent owner in the case of *Gerber Garment Technology, Inc. v. Lectra Systems, Inc.*<sup>71</sup> had filed a patent application in May of 1969. During prosecution, the examiner had imposed a restriction requirement between claims drawn to a cutting apparatus and claims drawn to a work holding means.<sup>72</sup> The patent owner elected to prosecute the claims drawn to a cutting apparatus. The patent was issued (the "parent patent") in February of 1970.

Prior to the issuance of the parent patent, the patent owner had filed a divisional/continuation-in-part application containing claims directed to the work holding means. These claims were subsequently amended during prosecution to include a "cutting blade" limitation. The application ultimately issued as a patent (the "CIP patent") in February of 1974.

The patent owner sued for infringement of the CIP patent. The accused infringer filed a motion for summary judgment that the claims of the CIP patent were invalid for obviousness-type double patenting.<sup>73</sup> The district court determined that: (1) 35 USC § 121 did not preclude the accused infringer from raising the issue of obviousness-type double patenting, because the claims of the CIP patent were not "consonant" with the claims that were not elected under the restriction requirement;<sup>74</sup> and (2) the claims of the CIP patent were invalid for obviousness-type double patenting in view of the claims of the parent patent.

On appeal, the patent owner did not challenge the view that

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71. 916 F.2d 683 (Fed. Cir. 1990).

72. 35 USC § 121 provides for restriction when "independent and distinct inventions" are claimed in one application.

73. Obviousness-type double patenting is a judge-made rule that applies in situations in which claims in two applications or patents are not drawn precisely to identical inventions, but are drawn to inventions so alike as to render one obvious in view of the other and to effectively extend the life of the patent having the earlier of the two issue dates. *In re Thorington*, 418 F.2d 528, 534 (C.C.P.A. 1969), *cert. denied*, 397 U.S. 1038 (1970).

74. Compliance with a restriction requirement means the claims in a divisional application must be "consonant" with those not elected under the restriction requirement. See MANUAL OF PATENT EXAMINING PROCEDURE (MPEP) § 804.01 (double patenting protection of 35 USC § 121 does not apply where the claims are not consonant with, i.e. "have been changed in material respects from", the claims subject to the restriction requirement).

obviousness-type double patenting would be present if 35 USC § 121 is rendered inapplicable by the non-consonance of the claims in the CIP patent. The patent owner did argue, however, that the third sentence of 35 USC § 121 precluded invalidity based on anything in the parent patent, because the parent patent could not be used as a reference against the CIP patent.<sup>75</sup> Furthermore, the patent owner argued that the claims of the CIP patent were consonant with the claims not elected in response to the restriction requirement.

The Federal Circuit observed that the *disclosure* in a parent patent cannot be used as a reference on which to reject a claim in a divisional application under 35 USC § 103, because that disclosure is the applicant's and is not part of the "prior art."<sup>76</sup> However, the *claims* in the parent patent may still be looked to in assessing compliance with the prohibition against claiming the same invention in two patents.

Moreover, the prohibition against using a parent patent as an obviousness-type double patenting "reference" against a divisional patent applies only if the application for the divisional patent was filed as a result of a restriction requirement. Thus, to gain the benefits of 35 USC § 121, the patent owner must limit the claims in the divisional patent to the non-elected invention. The Federal Circuit concluded that the patent owner in *Gerber Garment* had failed to do so.

The Federal Circuit noted that consonance requires that the line of demarcation between the independent and distinct inventions that prompted the restriction requirement be maintained throughout prosecution. The claims subjected to the restriction requirement may be amended, but they cannot be amended so as to bring them back over the line imposed in the restriction requirement. If that line is crossed, then the prohibition of the third sentence of § 121 does not apply.<sup>77</sup>

By adding the "cutting blade" limitation to the claims of the

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75. The third sentence of 35 USC § 121 provides:

A patent issuing on an application with respect to which a requirement for restriction under this section has been made, or on an application filed as result of such requirement, shall not be used as a reference either in the Patent and Trademark Office or in the courts against a divisional application or against the original application or any patent issued on either of them, if the divisional application is filed before the issuance of the patent on the other application.

76. *In Re Stempel*, 241 F.2d 755, 760 (C.C.P.A. 1957).

77. *Cf. In re Ziegler*, 443 F.2d 1211, 1215 (C.C.P.A. 1971) (Section 121's prohibition does not apply where restriction requirement withdrawn because divisional application no longer filed "as a result of" the restriction).

CIP patent, the patent owner in *Gerber Garment* crossed back over the line of demarcation between the "cutting apparatus" claims and "work holding means" claims. In the application that resulted in the CIP patent, the patent owner originally included claims directed to the work holding means. After numerous amendments, the patent owner incorporated into these claims the "cutting blade" limitation of the elected claims in the parent patent. The patent owner thereby rendered the claims of the CIP patent non-consonant with those not elected in its response to the restriction requirement.

The Federal Circuit found that the inventions set forth in the claims of the CIP patent were obvious variants of the inventions set forth in the claims of the parent patent. Invalidation of the CIP patent for obviousness-type double patenting was therefore appropriate, and the district court's grant of the accused infringer's motion for summary judgment was affirmed.

## VI. INEQUITABLE CONDUCT

### A. *Intent to Deceive May Not be Inferred Solely From Gross Negligence*

The case of *Hoffmann-La Roche, Inc. v. Lemmon Co.*,<sup>78</sup> involved an appeal from a district court judgment holding the subject patent unenforceable and invalid due to the patentee's inequitable conduct before the PTO. The district court found clear and convincing evidence that, during prosecution, the applicant had been grossly negligent in failing to bring to the attention of the PTO a prior art reference that would have barred the issuance of the patent. The district court concluded that because gross negligence had been found, the requirement of an intent to deceive the PTO (which is necessary to sustain a charge of inequitable conduct) had been satisfied.<sup>79</sup>

On appeal, the Federal Circuit stated that a finding of "gross negligence" does not, in and of itself, justify an inference of intent to deceive. The particular conduct must be viewed in light of all the evidence, including evidence indicative of good faith and sufficient culpability, to require a finding of intent to deceive.<sup>80</sup>

Because the district court had failed to perform such an analy-

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78. 906 F.2d 684 (Fed. Cir. 1990).

79. *Id.* at 688 (citing *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1065 (Fed. Cir. 1989) and *Hewlett-Packard v. Bausch & Lomb*, 882 F.2d 1556, 1562 (Fed. Cir. 1989)).

80. *Id.* (citing *Kingsdown Medical Consultant v. Hollister*, 863 F.2d 867, 876 (Fed. Cir. 1988)).

sis in determining the requisite intent to deceive, the Federal Circuit vacated the judgment and remanded the case.

*B. Effect of Inequitable Conduct on the Enforceability of Related Patents*

Inequitable conduct in procuring one patent in suit may require a holding that other, related patents in suit are unenforceable where the inequitable conduct has a direct relation to the relief requested. The Federal Circuit found such a direct relation between the inequitable conduct and the relief requested in the case of *Consolidated Aluminum Corp. v. Foseco International Ltd.*<sup>81</sup>

The patentee in *Consolidated Aluminum* had sued for infringement of several patents relating to the manufacture and use of ceramic foam filters for molten metal. Among the patents in suit were U.S. Patent No. 3,893,917 ("the '917 patent"), U.S. Patent No. 3,962,081 ("the '081 patent"), U.S. Patent No. 4,024,212 ("the '212 patent") and U.S. Patent No. 4,075,303 ("the '303 patent").

The '917 patent was directed to an improved method of filtering molten metal. The filter was prepared by impregnating a flexible organic foam material with an aqueous ceramic slurry. The district court found that the '917 patent misstated the composition of the best mode slurry, and did not disclose the binder used in the best mode slurry.

The '081 patent was directed to a molten metal filter. The properties of the molten metal filter set forth in claim 1 of the '081 patent were the result of using the best mode slurry. The district court found that claim 1 of the '081 patent was adequately supported under 35 USC § 112, by the disclosure of the best mode slurry in the '081 specification.

However, during prosecution of the '081 patent application, the claims had been rejected based upon the '917 patent. The patentee had responded to this rejection by arguing that the '917 patent neither disclosed nor suggested the claimed invention resulting from use of the best mode slurry. This was an argument which the patentee could not have made if the patentee had not concealed the best mode slurry from the '917 patent. The concealment of the best mode slurry from the '917 patent therefore provided a basis for the patentee's successful arguments in prosecuting the '081 patent application.

The '212 and '303 patent applications were continuations-in-

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81. 910 F.2d 804 (Fed. Cir. 1990).



part of the '081 patent application. All claims in both continuation patents included the step of preparing the best mode slurry. Thus, the patentee's concealment of the best mode slurry from the '917 patent "permeated" the prosecution of the other patents in suit.

The district court determined that the '917 patent was invalid for failure to disclose the best mode and unenforceable because of the patentee's inequitable conduct in concealing the best mode.<sup>82</sup>

The district court, applying the doctrine of unclean hands, further held that the patentee's "broad pattern of inequitable conduct" during prosecution of the '917 patent application so soiled the patentee's hands as to render the '081, '212 and '303 patents equally unenforceable.<sup>83</sup> The patentee appealed from the judgment holding the patents unenforceable and invalid.

On appeal, the Federal Circuit concluded that there was more than mere relatedness of subject matter among the patents in suit. The prosecution histories of the patents established that the patentee's inequitable conduct in prosecuting the '917 patent had an "immediate and necessary relation" to the equity sought by the patentee (namely, the enforcement of the '081, '212 and '303 patents).<sup>84</sup> The Federal Circuit therefore concluded that the district court's application of inequitable conduct considerations to the '081, '212 and '303 patents was not an abuse of discretion, and affirmed the district court holding that the '081, '212 and '303 patents unenforceable.

### C. *Inequitable Conduct Affects all Claims*

Whether the district court properly refused to enforce a patent due to inequitable conduct<sup>85</sup> before the PTO was the issue presented

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82. Consolidated Aluminum Corp. v. Foseco Int'l Ltd., 716 F. Supp. 316, 323 (N.D. Ill. 1989).

83. *Id.* at 332 (citing Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 815 (1945) and Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 245-46 (1933) [hereinafter *Keystone Driller*]). See also Mathis v. Hydro-Air Indus. Inc., 1 U.S.P.Q.2d (BNA) 1513, 1529 (C.D. Cal. 1986), *aff'd*, 818 F.2d 874 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 826 (1987).

84. Consolidated Aluminum Corp. v. Foseco Int'l Ltd., *supra* note 77, at 810-11 (citing *Keystone Driller*, *id.* at 245).

85. Inequitable conduct is shown by production of clear and convincing evidence of: (1) material prior art; (2) knowledge chargeable to the patent applicant of prior art and its materiality; and (3) applicant's failure to disclose the prior art to the PTO with intent to mislead. FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415, (Fed. Cir. 1987). Information is material if there exists a "substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553, 1559 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985); 37 C.F.R. § 1.56 (1983).

to the Federal Circuit in *Fox Industries, Inc. v. Structural Preservation Systems, Inc.*<sup>86</sup>

More than one year prior to the patent's application filing date, the patent owner had published a sales brochure that had been used as source material in drafting the application. The brochure, which was never disclosed to the PTO, was found by the district court to teach every feature specified in the claims of the patent except one, and to be more relevant than any other reference cited during prosecution.

The patent owner argued that materiality and intent only apply to the claims that are finally allowed to issue. The Federal Circuit disagreed, noting that a duty of candor extends throughout the patent's entire prosecution history. When determining inequitable conduct, a trial court may therefore properly look beyond the final claims to their antecedents. The Federal Circuit thus concluded that a breach of the duty of candor early in the prosecution may render unenforceable all claims which issue from the same or a related application.

The Federal Circuit found that the district court did not abuse its discretion in finding that the brochure had been withheld from the PTO with the intent to deceive.<sup>87</sup> With respect to the materiality of the reference, the Federal Circuit, noting that the district court found several claims invalid under 35 USC § 102(b), indicated that the anticipation of a claim in a patent based on a withheld reference satisfies the most stringent standard of materiality.<sup>88</sup>

The patent owner's argument that Rule 56<sup>89</sup> did not govern the duty of candor because the Rule was promulgated after the first prosecuting patent attorney (who knew of the brochure and did not disclose it) ceased to be involved with the applications, was found by the Federal circuit to lack merit. The Federal Circuit noted that Rule 56 was actually a codification of existing PTO policy on fraud and inequitable conduct<sup>90</sup> and that, in any event, the prevailing standards of inequitable conduct would have required disclosure of the brochure.<sup>91</sup> Furthermore, the Federal Circuit noted that the

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86. 922 F.2d 801 (Fed. Cir. 1990).

87. The Federal Circuit reviews inequitable conduct under an abuse of discretion standard. *Kingsdown Medical Consultants Ltd. v. Hollister Inc.*, 863 F.2d 876. The Court determined that the patent owner's testimony fully supported the finding of intent to deceive.

88. See *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1214 (Fed. Cir. 1987).

89. 37 CFR § 1.56.

90. 42 Fed. Reg. 5,588, 5,589 (Jan. 28, 1977). See also *In re Jerabek*, 789 F.2d 886, 890 n.10 (Fed. Cir. 1986).

91. See *Norton v. Curtiss*, 433 F.2d 779, 792-97 (C.C.P.A. 1970).

patent owner himself owed the same duty of candor to the PTO as did the patent attorney.<sup>92</sup>

Thus, the Federal Circuit held that the district court properly concluded that the patent at issue was unenforceable due to inequitable conduct before the PTO.

D. *Inequitable Conduct and Amendments Under 37 CFR § 1.312*

Intent to deceive must be determined in light of the realities of patent practice, and not as a matter of strict liability.<sup>93</sup> Given the ease with which a relatively routine act of patent prosecution can be portrayed as intended to mislead or deceive, clear and convincing evidence of conduct sufficient to support an inference of culpable intent is required.

The issue raised in *Northern Telecom, Inc. v. Datapoint Corp.*<sup>94</sup> was whether the prosecution history of the subject patent provided such clear and convincing evidence of conduct sufficient to support an inference of culpable intent.

The prosecution history showed that after the PTO issued a notice of allowance, but before payment of the issue fee, the patentee had requested amendment of the descriptive text of the subject patent application (as authorized by 37 CFR § 1.312). The patentee filed a four-page amendment, containing twenty-five specific changes to the specification.

The district court held that five of the requested changes altered the scope of the original disclosure and the scope of the previously allowed claims.<sup>95</sup> The district court found that the patentee had intentionally misrepresented the purpose and nature of these amendments, and that this misrepresentation was material to patentability. The district court therefore held all of the claims of the subject patent unenforceable based on inequitable conduct before the PTO.

On appeal, the patentee argued that the amendments simply

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92. The Court noted that the duty of candor rests on "the inventor . . . and on every other individual who is substantively involved in the preparation or prosecution of the application . . . ." 37 C.F.R. § 1.56(a).

93. *Pfizer, Inc. v. International Rectifier Corp.*, 538 F.2d 180, 186 (8th Cir. 1976), *cert. denied*, 429 U.S. 1040 (1977).

94. 908 F.2d 931 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 296 (1990).

95. These five changes, with the changes to the text italicized, were as follows: (1) a wired *or like* read-only memory; (2) read-only memory containing a hardwired *or otherwise fixed* program; (3) a hardwired *or fixed* program; (4) a wired *or like* ROM of the form just mentioned is unalterable; (5) the wired-in (*or otherwise fixed*) program in the ROM.

conformed the descriptive text of the specification to the claims (as required by the rules of PTO practice) and thus could not, as a matter of law, broaden the disclosure and the scope of the claims.

The Federal Circuit agreed with the patentee. The original claims, as filed, are part of the patent specification.<sup>96</sup> At the time the patentee filed the amendment in accordance with 37 CFR § 1.312, the claims had already been examined and had been allowed substantially as filed. The Federal Circuit found that the subject matter added to the descriptive text by the amendment under 37 CFR § 1.312 was already in the allowed claims, and was therefore already part of the patent disclosure.

Considering all of the circumstances, including indications of good faith, the Federal Circuit was left with a definite and firm conviction that the district court had made a mistake regarding the patentee's state of mind when it filed the amendment under 37 CFR § 1.312. Accordingly, the Federal Circuit concluded that the district court's finding that the patentee had intended to mislead or deceive the PTO was clearly erroneous, and the district court's holding of unenforceability on this ground was reversed.

#### E. *Jury Instructions on Inequitable Conduct*

The case of *Modine Manufacturing Co. v. Allen Group, Inc.*<sup>97</sup> involved an appeal concerning a final judgment of the district court that the infringer had willfully infringed the patent, and that the patent was not invalid or unenforceable.<sup>98</sup> The patent owner had been accused of failing to disclose to the PTO information as to its own prior art research and of concealing the fact that the named inventor actually had the help of unnamed co-inventors. The case had been tried to a jury, which returned special verdicts finding that the infringer had failed to prove by clear and convincing evidence that the patent was invalid, or that it was unenforceable for inequitable conduct.

On appeal, the infringer argued that the district court had erred in determining that the patent was not unenforceable for inequitable conduct in the prosecution of the patent application.

The Federal Circuit noted that establishing inequitable conduct for submitting false information or for failing to disclose information to the PTO during prosecution requires proof by clear and

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96. 35 USC § 112, ¶ 2; *In re Benno*, 768 F.2d 1340, 1346 (Fed. Cir. 1985).

97. 917 F.2d 538 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 2017 (1991).

98. *Modine Mfg. Co. v. Allen Group, Inc.*, 14 U.S.P.Q.2d (BNA) 1210 (N.D. Cal. 1989).

convincing evidence of two facts: that the information was material and that the patentee acted with intent to deceive.<sup>99</sup>

The record in *Modine* included evidence tending to show that any failure to disclose was inadvertent, and that the inventor would have had no motive to intentionally lie about inventorship because the company would own any patent that might issue. The persons accused of inequitable conduct actually testified as witnesses, and the Federal Circuit found that the jury's assessment of their character and credibility was entitled to great deference. The Federal Circuit therefore concluded that the infringer had not demonstrated that the determination that it failed to prove inequitable conduct was an abuse of discretion.

The infringer further argued that the district court's jury instructions constituted reversible error, because they submitted the issue of inequitable conduct to the jury and because they contained an incorrect legal test for determining whether inequitable conduct had occurred. The Federal Circuit held, however, that the infringer's failure to object to the jury instructions at trial precludes it under Rule 51 of the Federal Rules of Civil Procedure, from challenging the jury instructions on appeal, both as to their submission of the ultimate question of inequitable conduct to the jury and as to their content indicating that gross negligence was not sufficient to show intent.

The Federal Circuit therefore affirmed the ruling of the district court.

## VII. EXTENSION OF PATENT TERM — 35 USC § 156

### A. *Definition of "Product" Under 35 USC § 156*

For a patent to be eligible for a term extension under 35 USC § 156, the product must have been subject to a regulatory review period and the permission for the commercial marketing or use of the product after such regulatory review period must have been the first permitted commercial marketing or use of the "product" under the provision of law under which such regulatory review period occurred.<sup>100</sup> The patent statute defines "product" as "the active ingredient of a new drug, . . . including any salt or ester of the active ingredient . . ."<sup>101</sup>

The question of how the term "product" under 35 USC § 156

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99. *Kingsdown Medical Consultants*, *supra* note 80, at 872.

100. 35 U.S.C. § 156(a)(4) & (5).

101. 35 U.S.C. § 156(f)(2).

should be interpreted was the principal issue presented in the case of *Glaxo Operations UK Ltd. v. Quigg*.<sup>102</sup> The subject patent in *Glaxo* issued in 1981 and claimed cefuroxime axetil, an antibiotic drug. The antibiotic drug cefuroxime axetil is marketed commercially, in tablet form, as CEFTIN. The Food and Drug Administration (FDA) approved CEFTIN in 1987.

The patented cefuroxime axetil is an ester of cefuroxime. Two of the salts of cefuroxime are marketed, for intravenous and intramuscular use, as ZINACEF and KEFUROX. The FDA approved ZINACEF in 1983 and various dosage strengths of KEFUROX in 1986 and 1987.

Neither ZINACEF nor KEFUROX are salts or esters of the patented cefuroxime axetil. However, after being orally administered, CEFTIN combines with digestive substances in the human body to produce the same therapeutically active substance contained in both ZINACEF and KEFUROX.

The patent owner sought a patent term extension for the subject cefuroxime axetil patent. The Commissioner denied the patent term extension, contending that CEFTIN was not the "first permitted commercial marketing or use" of the "product."

The Commissioner took the position that "product" in 35 USC § 156 should not be interpreted literally to encompass only an active ingredient or a salt or ester of an active ingredient. Instead, "product" should be interpreted broadly to encompass any new chemical "entity" or new active "moiety." Under this broad definition, the term "product" would encompass *all* acid, salt, or ester forms of a single therapeutically active substance, even if the drug, before being administered, contained only other substances. In the case of the drug CEFTIN, for example, the therapeutically active substance found in ZINACEF and KEFUROX is not present in CEFTIN before being administered. However, after being administered, CEFTIN combines with digestive substances to produce the same therapeutically active substance found in both ZINACEF and KEFUROX. The Commissioner therefore concluded that the 1987 FDA approval of CEFTIN was not the first permitted commercial marketing or use of the "product," because ZINACEF and KEFUROX had previously been approved.

On appeal, the Federal Circuit concluded that the operative terms used in the § 156(f)(2) definition of "product" are clear and unambiguous. The legislative history provides no "extraordinary

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102. 894 F.2d 392 (Fed. Cir. 1990).

showing of contrary intentions" to this clear and unambiguous meaning.<sup>103</sup> All that Congress left to the Commissioner's technical expertise was determining whether any patented chemical compound named in a patent term extension application fell within the statutory definition of "product," but not what "product" was to mean. Consequently, the Federal Circuit was not required to defer to the Commissioner's interpretation of "product," even where that interpretation was reasonable and not clearly contrary to Congressional intent.<sup>104</sup>

The patent statute defines "product" as "the active ingredient of a new drug, . . . including any salt or ester of the active ingredient."<sup>105</sup> It was undisputed that neither ZINACEF nor KEFUROX was the "active ingredient" of the new drug CEFTIN. It was also undisputed that neither ZINACEF nor KEFUROX was a "salt or ester" of cefuroxime axetil (the active ingredient of CEFTIN). Consequently, the Federal Circuit concluded that CEFTIN was the "first permitted commercial marketing or use" of the "product" as defined in 35 USC § 156.

#### B. *Determination of "Regulatory Review Period"*

The patent owner in the case of *Hoechst Aktiengesellschaft v. Quigg*<sup>106</sup> owned a patent claiming pentoxifylline, a pharmaceutical product for human use having the tradename Trental. The patent issued on June 5, 1973, but the Food and Drug Administration ("FDA") did not approve Trental for commercial marketing until August 30, 1984. Thus, more than ten years elapsed between the time the patent issued and the date Trental could be marketed.

The patent owner applied for a patent term extension under 35 USC § 156 on October 29, 1984. The PTO determined that the patent owner was not entitled to a term extension for the patent because Trental had not been subject to a regulatory review period within the meaning of § 156(a)(4). The Commissioner therefore denied the patent owner's request for reconsideration.<sup>107</sup>

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103. *Garcia v. United States*, 469 U.S. 70, 75 (1984); *Fisons Plc v. Quigg*, 876 F.2d 99, 101 (Fed. Cir. 1989).

104. *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842-45 (1984) (Congress did not have specific intention so courts defer to reasonable choice of agency); *Chemical Mfrs. Ass'n v. Natural Resources Defense Council, Inc.*, 470 U.S. 116, 126 (1985) (agency interpretation reasonable and will be followed unless contrary intent by Congress).

105. 35 USC § 156(f)(2).

106. 917 F.2d 522 (Fed. Cir. 1990).

107. *In re Hoechst Aktiengesellschaft*, 227 U.S.P.Q. (BNA) 638 (1985).

The patent owner appealed the Commissioner's decision to the district court, and the parties submitted cross-motions for summary judgment. The district court granted the Commissioner's motion for summary judgment.<sup>108</sup> The issue the patent owner bought on appeal was whether the district court had erred in determining that the Trental patent was ineligible for a term extension under 35 USC § 156.

The record indicated that the patent owner had satisfied all of the requirements for a patent term extension under § 156(a)(1)-(3) and (a)(5). The patent owner had applied for the extension within 60 days after Trental received FDA approval, pursuant to § 156(d)(1). The only question was whether Trental had undergone a "regulatory review period"<sup>109</sup> pursuant to § 156(a)(4). The primary dispute on appeal concerned the meaning and effect of the emphasized language in § 156(g)(1)(A) "to which the limitation described in paragraph (6) applies."

The Commissioner argued that the language "to which the limitation described in paragraph (6) applies" in § 156(g)(1)(A) incorporates the paragraph (6) limitations into the definition of a regulatory review period. Thus, if none of the limitations in paragraph (6) applies, then no regulatory review period is established and no patent term extension is available.

The patent owner argued that the requirements of paragraph (6) are not a part of the definition of a regulatory review period and are thus not a part of the statute's eligibility requirements. Instead, the paragraph (6) limitations are caps on the length of a term extension for a patent which has already been determined to be eligible for an extension pursuant to §§ 156(a) and (g)(1)(B). The patent owner further argued that Congress's failure to place a cap on the length of term extensions for the Trental patent and the small number of other drug patents which received FDA approval shortly before the passage of 35 USC § 156 was simply an oversight.

The Federal Circuit, agreeing with the patent owner, found that Congress intended 35 USC § 156(g)(1)-(3) to define the "regulatory review period" and for 35 USC § 156(g)(6) to be a limitation

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108. Hoechst Aktiengesellschaft v. Quigg, 724 F. Supp. 398 (E.D. Va. 1989).

109. The "regulatory review period" for a human drug such as Trental is defined in § 156(g)(1)(A) as "the period described in subparagraph (B) *to which the limitation described in paragraph (6) applies*" (emphasis added). Subparagraph (B) provides that the length of the regulatory review period is the sum of (i) the testing phase period and (ii) the approval phase period for the drug. The formula in subparagraph (B) yielded a 9.5 year regulatory review period, which was then reduced by § 156(c) to yield a 6.8-year term extension for the Trental patent.



on the extension term. Legislative history explicitly indicating that no patent term extension may be greater than five years had no bearing on how Congress intended to define a regulatory review period under 35 USC § 156(g)(1)-(3).

Thus, the Federal Circuit concluded that subparagraph (B) describes the regulatory review period and paragraph (6) describes the limitation which applies to that regulatory review period. The Federal Circuit acknowledged that the resulting 6.8-year term extension for the Trental patent was a windfall for the patent owner that was probably not contemplated by Congress, but that Congress had simply neglected to assign *any* limitation on the length of a term extension for the small number of patents for drugs which received approval shortly before enactment of 35 USC § 156.

Accordingly, the Federal Circuit reversed and remanded the case with instructions for the Commissioner to grant the patent owner a 6.8-year term extension for the patent.

## VIII. DESIGN PATENTS — 35 USC § 171

### A. *"Normal and Intended Use" Includes the Sale and Display of an Article*

The case of *In re Webb*<sup>110</sup> involved an appeal from a decision of the Board affirming the final rejection of the sole claim of a design patent application. The claim was directed to the ornamental design for an implantable hip stem prosthesis. The Board affirmed the final rejection of the claim as being directed to unpatentable subject matter under 35 USC § 171 because the prosthesis was not visible in what the Board considered to be its normal and intended use.

On appeal, the Federal Circuit observed that the issuance of a design patent is limited by 35 USC § 171 to a design that is "ornamental." The general rule presumes the absence of ornamentality when an article cannot be observed in its normal and intended use.<sup>111</sup> This general rule is not, however, dispositive.<sup>112</sup> In each case, a determination must be made as to whether, at some point in the life of the article, an occasion arises when the appearance of the article becomes a matter of concern.

The Federal Circuit construed the term "normal and intended use" as defining a period of time in an article's life, beginning after

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110. 916 F.2d 1553 (Fed. Cir. 1990).

111. *In re Cornwall*, 230 F.2d 457, 459 (C.C.P.A. 1956); *In re Stevens*, 173 F.2d 1015 (C.C.P.A. 1949).

112. *Larson v. Classic Corp.*, 683 F. Supp. 1202, 1202-1203 (N.D. Ill. 1988).

completion of manufacture or assembly and ending with the ultimate destruction, loss, or disappearance of the article. This period of time includes all commercial uses of the article prior to its ultimate destination, including the sale and display of the article.

The record in *Webb* showed that the design of the subject hip prosthesis was displayed in advertisements and at trade shows, and that surgeons were made aware of differing brands and types of prostheses through such advertisements and displays. Thus, even though the design of the hip prosthesis was hidden from view when it arrived at the final use of its functional life, the design of the hip prosthesis was not always concealed in its normal and intended use. Consequently, the Federal Circuit reversed the decision of the Board and remanded the case.

## IX. REISSUE — 35 U.S.C. § 251

### A. *The Recapture Rule*

Under the Recapture Rule, a patentee is barred from acquiring, through a reissue patent, claims that are of the same scope as claims that were canceled from the parent patent application.<sup>113</sup> The primary issue presented in the case of *Whittaker Corp. v. UNR Industries, Inc.* was whether the district court properly granted summary judgment in holding a reissue patent invalid under the Recapture Rule.<sup>114</sup>

During prosecution of the parent patent application, the patent owner cancelled the originally filed claims by adding two amendments to these claims. During the prosecution of the reissue patent application, the patent owner removed the first of these two amendments from the claims, while retaining the second amendment in the claims of the reissue patent.

The accused infringer argued that the second amendment merely made explicit a requirement that was already implicit or inherent in the claims that were canceled from the parent patent application. Consequently, the claims of the reissue patent did not differ in scope from the claims that were canceled from the parent patent application. The patent owner argued that the second amendment was in fact a significant limitation on the scope of the claims, and thereby made the claims of the reissue patent narrower in scope than the claims canceled from the parent patent application.

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113. *Ball Corp. v. United States*, 729 F.2d 1429, 1436 (Fed. Cir. 1984).

114. 911 F.2d 709 (Fed. Cir. 1990).

The issue on appeal was whether the district court's determination, on summary judgment, that the claims of the reissue patent did not differ materially from the claims that were surrendered to obtain the allowance of the parent patent reflected a correct construction of the claims.

The Federal Circuit concluded that the district court had erred in holding that the claims of the application that resulted in the parent patent were not narrowed by the second amendment. The specification, the prosecution history, the other claims and the affidavit of the inventor, made it clear that the second amendment resulted in narrower claims than those propounded in the parent patent application.

Since the claims of the reissue patent were narrower in scope than the claims of the application that resulted in the parent patent, the reissue patent was not invalid under the recapture rule. The Federal Circuit therefore reversed the grant of summary judgment and remanded for further proceedings.

*B. Failure to File a Divisional Application May Not be Correctable by Reissue*

The issue presented in *In re Watkinson*<sup>115</sup> was whether the Board correctly affirmed the rejection of all claims in a reissue application under 35 USC § 251 for lack of statutory error. The error alleged was the acquiescence in a restriction requirement in the original application.

The original application was filed in July, 1982. During prosecution, the examiner subjected the original application to a restriction requirement. In response to the restriction requirement, the applicant elected certain claims for further prosecution and reserved the right to file a divisional application containing claims directed to the non-elected invention. The applicant then canceled the non-elected claims. The original patent issued in November, 1984, without a divisional application having been filed.

A reissue application was filed in January, 1986. The reissue application included claims corresponding to those in the original patent as well as claims corresponding to those canceled from the original application. The reissue applicant alleged that the restriction requirement in the original application had been improper, and that acquiescence in the restriction requirement was an error correctable by reissue.

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115. 900 F.2d 230 (Fed. Cir. 1990).

The examiner rejected all of the claims in the reissue application under 35 USC § 251 for lack of a statutory error. The Board affirmed the examiner's rejection.

On appeal, the Federal Circuit concluded that a restriction requirement is a matter within the discretion of the examiner. It is not equivalent to a rejection of claims.<sup>116</sup> Consequently, the proper time for the reissue applicant to have challenged the merits of the restriction requirement was during the prosecution of the original application.<sup>117</sup> After acquiescing in the restriction requirement, canceling the non-elected claims and allowing the original patent to issue, the reissue applicant had lost the opportunity to challenge the propriety of the restriction requirement. The Federal Circuit therefore concluded that neither it nor the Board had jurisdiction to review the merits of the restriction requirement.

The Federal Circuit further held that, regardless of the propriety of the underlying restriction requirement, the failure to file a divisional application is not an error correctable by reissue under 35 USC § 251. The Federal Circuit therefore affirmed the rejection of all of the claims in the reissue application under 35 USC § 251 for lack of a statutory error.

## X. INFRINGEMENT — 35 USC § 271

### A. *State Immunity From Infringement Suit*

In the case of *Chew v. State of California*<sup>118</sup> the patent owner brought suit for infringement against the State of California, alleging that the State required testing of automobile engine exhaust emissions by a process which infringed the subject patent.<sup>119</sup> The State moved for dismissal, asserting immunity from suit in federal court under the Eleventh Amendment to the U.S. Constitution.

The Federal Circuit determined that, although the federal courts have been given exclusive jurisdiction over the asserted patent infringement claim, the congressional intent to abrogate a state's immunity under the Eleventh Amendment must be stated explicitly. The relevant section of the patent statute, 35 USC § 271(a), states: "*whoever* without authority makes, uses or sells any patented invention . . . infringes the patent." (Emphasis added.) The Federal

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116. See *In re Hengehold*, 440 F.2d 1395, 1404 (C.C.P.A. 1971).

117. See 37 C.F.R. §§ 1.143, 1.144 (1989).

118. 893 F.2d 331 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 44 (1990).

119. The patent owner brought suit in federal district court for patent infringement damages against the state under the patent statute, 35 U.S.C. §§ 1-376 and under 28 USC § 1338(a).

Circuit found that the general term "whoever" is not the requisite unmistakable language of congressional intent necessary to abrogate a state's Eleventh Amendment immunity. In the absence of such explicit abrogation within the patent statute, the Federal Circuit concluded that the district court's dismissal must be affirmed.

The issue of whether a state is immune from suit for patent infringement under the patent statutes was also presented in the case of *Jacobs Wind Electric Company, Inc. v. Florida Department of Transportation*.<sup>120</sup> The case had been dismissed by the district court on the ground that the accused infringer (the State of Florida) was immune from suit by reason of the Eleventh Amendment to the U.S. Constitution.

The patent owner in *Jacobs Wind* attempted to distinguish *Chew* by arguing that the holding in *Chew* was limited to suits against a state by a nonresident. The Federal Circuit found that the scope of state sovereign immunity under the Eleventh Amendment is not so limited, noting that the Supreme Court has held that Eleventh Amendment immunity bars suit by a resident or nonresident, absent waiver or Congress' legitimate exercise of the power to abrogate that immunity.<sup>121</sup>

The Federal Circuit also found that the patent owner's argument that it would be precluded from obtaining a remedy did not have merit. The court noted noting that the patent owner was free to seek remedy through the state government or to assert a "takings" claim under the Fifth and Fourteenth Amendments.<sup>122</sup> Thus the Federal Circuit affirmed the dismissal of the patent owner's suit.

#### B. *Design Patent Infringement and the "Point of Novelty" Analysis*

The case of *Winner International Corp. v. Wolo Manufacturing Corp.*<sup>123</sup> involved the alleged infringement of a design patent. The district court had granted the accused infringer's motion for summary judgment based on noninfringement. In concluding that the

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120. 919 F.2d 726 (Fed. Cir. 1990).

121. *Welch v. Texas Dep't of Highways & Pub. Transp.*, 483 U.S. 468, 472, 479-88 (1987); *Hans v. Louisiana*, 134 U.S. 1, 10 (1890).

122. The Federal Circuit noted that counsel for the state indicated the patent owner could have sought relief in the Florida Legislature through a claims bill, but chose instead to file a patent infringement suit in U.S. district court. *See* FLA. STAT. ANN. § 11.065 (West 1988). Further, the Court noted that the patent owner could also assert a "takings" claim against the state under the Fifth and Fourteenth Amendments. *See Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984) (Fifth Amendment "taking" claim asserted against U.S. for alleged disclosure of trade secrets.); *Chew v. California*, *supra* note 118, at 336.

123. 905 F.2d 375 (Fed. Cir. 1990).

design patent was not infringed, the district court utilized the "point of novelty" analysis set forth in *Litton Systems, Inc. v. Whirlpool Corp.*<sup>124</sup> Focussing on those aspects of the patented design which distinguished the design from the prior art, the district court found that the differences between the patented design and the accused design were sufficiently numerous and substantial that a reasonable jury could not have found infringement.

On appeal, the patent owner argued that the district court erred in not considering the *overall* configuration and appearance of the patented design as a "point of novelty."

The Federal Circuit disagreed, noting that the purpose of the "point of novelty" analysis is to focus on those aspects of a design which render the design different from the prior art.<sup>125</sup> Consideration of the overall appearance of a design, without regard to the prior art, would eviscerate this purpose. The judgment of the district court was therefore affirmed.<sup>126</sup>

### C. *Inducing Infringement*

The subject patent in the case of *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*,<sup>127</sup> was directed to X-Y plotters. The accused infringer, a manufacturer of X-Y plotters, had sold its plotter division to a third party purchaser. The sales agreement stated that the accused infringer would indemnify the purchaser against liability for infringement, in addition to working jointly with the purchaser toward developing a plotter that would not infringe the subject patent.

The patent owner sued the accused infringer for direct infringement covering the period of time prior to the sale of its plotter division, and for active inducement of infringement under 35 USC § 271(b) for the period of time subsequent to the sale of its plotter division. The accused infringer admitted direct infringement, but denied that its activities surrounding the sale to the purchaser constituted active inducement of infringement. The district court held that the accused infringer had not actively induced infringement of the patent, and the patent owner appealed.

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124. 728 F.2d 1423, 1444 (Fed. Cir. 1984).

125. *Id.*

126. Nor did the Federal Circuit find that a genuine dispute of fact as to infringement was established by affidavit evidence of a single instance of actual confusion. This was especially true because the affidavit did not indicate whether the confusion was caused by those aspects which distinguished the patented design from the prior art. *Winner, supra* note 123, at 376.

127. 909 F.2d 1464 (Fed. Cir. 1990).

On appeal, the Federal Circuit observed that there is a distinction with respect to the level of knowledge or intent required to find active inducement of infringement under § 271(b) in contrast to contributory infringement under § 271(c). A finding of contributory infringement under § 271(c) merely requires proof of a defendant's knowledge (not intent) that the accused activity causes infringement. In contrast, a finding of active inducement under § 271(b) requires proof of a defendant's actual intent to cause the acts that constitute the infringement.

The Federal Circuit concluded that the record in *Hewlett-Packard Co.* failed to show the requisite proof of actual intent to cause the infringement on the part of the accused infringer. On the contrary, the record indicated that the accused infringer was merely interested in divesting itself of its plotter division at the highest possible price, and had no interest in what the purchaser did with the division after its sale.

The Federal Circuit viewed the agreement between the accused infringer and the purchaser to work together to find a way to avoid infringement as establishing, if anything, an intent by the accused infringer not to induce infringement. Although the indemnification agreement facilitated the sale of the plotter division, the record did not indicate that the accused infringer had used the indemnification agreement to induce infringement by the purchaser.<sup>128</sup>

The Federal Circuit therefore affirmed the district court's decision holding the accused infringer not liable for actively inducing infringement of the patent for the period subsequent to the sale of the plotter division.

#### D. Requirement of a True Case or Controversy

The issue presented in the case of *Laitram Corp. v. Cambridge Wire Cloth Co.*<sup>129</sup> was whether it is appropriate for a district court to grant a motion for summary judgment of non-infringement where there is no evidence that any allegedly infringing product had been made, used or sold at the time the complaint was filed.

After the close of discovery, the accused infringer had moved for summary judgment of non-infringement based on four exhibits representing possible constructions of products. The record con-

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128. The mere existence of an indemnification agreement generally does not establish the requisite intent to induce infringement. However, such intent may be inferred when the primary purpose is to overcome the deterrent effect that the patent laws have on potential infringers. *Id.* at 1470.

129. 919 F.2d 1579 (Fed. Cir. 1990).

tained no evidence that any of the four possible constructions had ever been made, used, or sold when the complaint was filed.

The Federal Circuit found that the accused infringer was essentially asking the district court, through its summary judgment motion, to provide advice as to whether, if made and sold, any of the four possible constructions would infringe the subject patents. The Federal Circuit noted that the Federal Courts do not decide hypothetical fact situations or issue advisory opinions.<sup>130</sup> Accordingly, the Federal Circuit vacated the grant of summary judgement and remanded the case.

## XI. THE DOCTRINE OF EQUIVALENTS

### A. *The Effect of Prior Art on the Doctrine of Equivalents*

The subject patent in *Wilson Sporting Goods Co. v. David Geoffrey & Associates*<sup>131</sup> was directed to a particular configuration of dimples on a golf ball cover. In an infringement action brought by the patentee, the district court had denied the accused infringer's motion for JNOV on infringement. On appeal, the issue was whether the district court had erred as a matter of law by denying the motion for JNOV.

The single theory of liability presented by the patentee was infringement under the doctrine of equivalents.<sup>132</sup> The accused infringer argued that the doctrine of equivalents should not be applied to cover the accused golf ball, since the accused golf ball was virtually identical to a known prior art golf ball. Therefore, to allow the patent to reach the accused golf ball under the doctrine of equivalents would improperly encompass the prior art golf ball as well.

The Federal Circuit noted that, although the doctrine of equivalents does not expand the claims,<sup>133</sup> the range of permissible

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130. A true case or controversy is required. U.S. CONST. art. III, § 2.

131. 904 F.2d 677 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 537 (1990) (hereinafter "*Wilson Sporting Goods*").

132. Under the doctrine of equivalents, infringement may be found if an accused product "performs substantially the same overall function or work, in substantially the same way, to obtain substantially the same overall result as the claimed invention." *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934 (Fed. Cir. 1987) (en banc), *cert. denied*, 108 S. Ct. 1226 (1988), and *cert. denied*, 108 S. Ct. 1474 (1988). Even if this test is met, however, there can be no infringement if the asserted scope of equivalency of what is literally claimed would encompass the prior art. *Id.*; *Senmed, Inc. v. Richard-Allan Medical Indus.*, 888 F.2d 815, 821 (Fed. Cir. 1989). This issue—whether an asserted range of equivalents would cover what is already in the public domain—is one of law, which the Federal Circuit reviews *de novo*. *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 870 (Fed. Cir. 1985).

133. Prior to *Wilson Sporting Goods*, the Federal Circuit had characterized claims as



equivalents of the claims may nevertheless be limited by the prior art. The reason why the prior art may limit the range of equivalents is that a patentee cannot be allowed to obtain, under the doctrine of equivalents, coverage which the patentee could not lawfully have obtained from the PTO by the literal claims. The doctrine of equivalents exists to prevent a fraud on a patent, not to give a patentee something which could not lawfully have been obtained from the PTO.<sup>134</sup> Thus, since prior art always limits what an inventor could have claimed, it limits the range of permissible equivalents of a claim.

The Federal Circuit proposed a test for determining whether prior art restricts the range of permissible equivalents. The test requires consideration of the patentability of a *hypothetical* claim that is sufficient in scope to *literally* cover the accused product. Under this test, the issue is whether the hypothetical claim could have been allowed by the PTO over the prior art. If the hypothetical claim could have been allowed, then the prior art is not a bar to infringement under the doctrine of equivalents. If the hypothetical claim could not have been allowed, then it is improper to permit the patentee to obtain comparable claim coverage under the doctrine of equivalents.<sup>135</sup>

The specific issue presented in *Wilson Sporting Goods* was therefore whether the patentee had proven that a hypothetical claim broad enough to cover the accused golf ball could have been patentable. The Federal Circuit held that this hypothetical claim, considered as a whole, could not have been patentable because it would have been obvious in view of the prior art. Consequently, the patent-

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being "expanded" or "broadened" under the doctrine of equivalents. See, e.g., *Intervet Am., Inc. v. Kee-Vet Laboratories, Inc.*, 887 F.2d 1050, 1054 (Fed. Cir. 1989); *Brenner v. United States*, 773 F.2d 306, 308 (Fed. Cir. 1985); *Thomas & Betts Corp. v. Litton Sys., Inc.*, 720 F.2d 1572, 1582 (Fed. Cir. 1983); *Carman Indus., Inc. v. Wahl*, 724 F.2d 932 (Fed. Cir. 1983). In *Wilson Sporting Goods* the Federal Circuit expressly abandoned this terminology, explaining that the doctrine of equivalents, by definition, involves going beyond any permissible interpretation of the claim language; i.e., it involves determining whether the accused product is "equivalent" to what is described by the claim language. Therefore, to say that the doctrine of equivalents extends or enlarges the claims is a contradiction in terms. The scope of patent protection defined by the claims remains the same. The doctrine expands the right to exclude to "equivalents" of what is claimed. .

134. *Graver Tank & Mfg. Co. v. Linde Air Prod. Co.*, 339 U.S. 605, 608 (1950) (hereinafter "Graver Tank").

135. Under the *Wilson Sporting Goods* test, the burden is on the patent owner to prove that the asserted hypothetical claim would not encompass the prior art. This burden does not undermine the presumed validity of the patentee's "actual" patent claims. The presumption of validity attaching to the actual claims remains, regardless of whether the patentee persuades the court that it is entitled to the range of equivalents sought.

tee's independent claim 1 could not be given a range of equivalents broad enough to encompass the accused golf ball. The Federal Circuit therefore reversed the judgment of infringement of claim 1.

However, the conclusion that independent claim 1 was not infringed under the doctrine of equivalents was not the end of the infringement analysis. The Federal Circuit went on to address the question of infringement of the *dependent* claims under the doctrine of equivalents. The Federal Circuit explained that because the dependent claims included limitations which made them narrower in scope than claim 1, it did not automatically follow that the range of equivalents of the dependent claims would encompass the prior art. In other words, despite a finding that independent claim 1 was not infringed, it was still necessary to consider the issue of infringement of the dependent claims under the doctrine of equivalents.

The Federal Circuit acknowledged that this result initially appears to contradict a basic axiom of patent law that a dependent claim cannot be infringed unless the independent claim from which it depends is also infringed.<sup>136</sup> The Federal Circuit explained that this basic principle remains true for cases in which the noninfringement of the independent claim is a consequence of the absence of certain claim limitations, or their substantial equivalents, from the accused product. In such cases a dependent claim, which incorporates by reference the limitations of the independent claim, will similarly not be infringed.<sup>137</sup>

Where, however, the noninfringement of an independent claim is due solely to the fact that the asserted range of equivalents of the independent claim would encompass the prior art, the dependent claims must still be analyzed to determine whether they can be infringed under the doctrine of equivalents.

The Federal Circuit concluded that the district court erred in denying the accused infringer's motion for JNOV on infringement, because, as a matter of law, a range of equivalents broad enough to cover the accused golf balls would also have encompassed the prior art. Accordingly, the Federal Circuit reversed the judgment of infringement and vacated the judgment that the claims were not proven invalid.<sup>138</sup>

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136. *Wahpeton Canvas Co., Inc. v. Frontier, Inc.*, 870 F.2d 1546, 1553 & n.9 (Fed. Cir. 1989).

137. *See id.*, for example, in which the Federal Circuit affirmed a judgment of noninfringement of the independent claims on the rationale that the accused product failed to include particular claim limitations or their substantial equivalents.

138. Another issue presented by *Wilson Sporting Goods* was the timeliness of the accused infringer's motion for JNOV. FED. R. CIV. P. 50(b) states that a party may move for

B. *Interpretation of Prosecution Arguments May Affect Application of Doctrine*

The subject patent in *Hormone Research Foundation, Inc. v. Genentech, Inc.*<sup>139</sup> was directed to a synthetic, 190 amino acid sequence exhibiting growth promoting properties. An example of the disclosed synthetic amino acid was illustrated in Figure 2 of the patent. Several of the patent claims expressly recited "a sequence corresponding to Figure 2" and "a structure corresponding to Fig. 2."

The accused infringer produced a human growth hormone (HGH) product called Protropin. It was undisputed that Protropin contained 192 amino acids instead of 190. In that respect, Protropin differed from the structure illustrated in Figure 2 of the patent.

The accused infringer moved for summary judgment of noninfringement, alleging that it had not infringed those claims which expressly recited "a sequence corresponding to Figure 2" and "a structure corresponding to Fig. 2" because Protropin did not contain a compound having the structure of Figure 2. The district court agreed, and held that the accused infringer did not infringe the Figure 2 claims.<sup>140</sup> The patent owner appealed from the district court's grant of summary judgment.

On appeal, the Federal Circuit concluded that the district court's determination that the claim language "a sequence corresponding to Figure 2" and "a structure corresponding to Fig. 2" required identity in all respects to Figure 2 was consistent with both the specification and the prosecution history. Accordingly, the Federal Circuit affirmed that part of the district court's judgment holding that the accused infringer's product did not literally infringe the Figure 2 claims of the patent.

However, the Federal Circuit concluded that the district court had not correctly decided the issue of infringement under the doctrine of equivalents. One of the references cited during prosecution of the patent depicted a different, although very close, structure of natural HGH. During prosecution the applicant had argued that

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JNOV "[n]ot later than 10 days after entry of judgment." The accused infringer's motion for JNOV was served upon opposing counsel on the 10th day after entry of judgment, but was not filed in the district court until the following day. The Federal Circuit, in a ruling of first impression, held that the motion for JNOV was timely.

139. 904 F.2d 1558 (Fed. Cir. 1990), *cert. dismissed*, 111 S. Ct. 1434 (1991).

140. *Hormone Research Found., Inc. v. Genentech, Inc.*, 708 F. Supp. 1096 (N.D. Cal. 1988).

the claims were "limited to the structures shown in the drawings [were] are not directed broadly to HGH or its derivatives."<sup>141</sup>

The district court interpreted the applicant's prosecution argument to mean that the claims were confined to the specific structure of Figure 2, and that the cited reference was not anticipatory because it depicted the different structure of natural HGH. The district court, therefore, held that prosecution history estoppel precluded recovery under the doctrine of equivalents, and did not decide the issue of whether the accused Protropin was equivalent to the claimed invention.

The Federal Circuit concluded that the district court's determination (that the prosecution history precluded the patent owner from recovering under the doctrine of equivalents) would be correct only if it were clear that this was the intended meaning of the applicant's prosecution argument. However, the Federal Circuit found other possible interpretations of the applicant's prosecution argument.<sup>142</sup>

Drawing all inferences in favor of the patent owner,<sup>143</sup> the Federal Circuit found that the inventor may have been suggesting that the cited reference was not anticipatory because it was not enabling under 35 USC § 112, since it did not disclose the structure of, or how to make, HGH.<sup>144</sup> Consequently, it could not be said that the meaning of the inventor's prosecution arguments was without ambiguity and that all factual questions regarding the intent of those arguments had been resolved. The alternative interpretation of the inventor's prosecution argument was relevant to the proper application of prosecution history estoppel as a limitation to infringement under the doctrine of equivalents. The existence of disputed factual questions regarding the intent and meaning of the prosecution arguments therefore precluded summary judgment. Accordingly, the Federal Circuit vacated that part of the judgment which held that

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141. *Hormone Research Found., Inc. v. Genentech, Inc.*, *supra* note 139, at 1565.

142. The patent owner suggested that "because the starting material for producing the carbamidomethylated derivative [of the invention claimed in the application] was the *synthetic* hormone of Figure 2 (believed at that time by [the inventor] to be the same structure as natural HGH), whereas the starting material disclosed by [the cited reference] was *natural* HGH, the patentee surrendered only carbamidomethylated substitutes derived from *natural* HGH." *Id.* at 1566. The Federal Circuit found this alternative interpretation to be "consistent with the view expressed throughout the patent specification that the structure of Figure 2 and natural HGH were one and the same." *Id.*

143. As required by summary judgment. *See, e.g.*, *Avia Group Int'l, Inc. v. L.A. Gear Cal.*, 853 F.2d 1557, 1560 (9th Cir. 1988).

144. *See Akzo N.V. v. United States Int'l Trade Comm'n*, 808 F.2d 1471, 1479 (Fed. Cir. 1986).

the claims are not infringed under the doctrine of equivalents and remanded the case to the district court to determine the intent and effect of the arguments made during prosecution.

C. *Infringement Under the Doctrine is Not Precluded by the Existence of Additional Elements in the Accused Device*

The subject patent in *Insta-Foam Products, Inc. v. Universal Foam Systems, Inc.*<sup>145</sup> was directed to a foam mixing and dispensing gun having a replaceable nozzle. The infringer appealed from a district court order holding that the accused foam gun infringed the patent under the doctrine of equivalents.

On appeal, the infringer argued that the evidence did not support the district court's finding that the accused gun operated in substantially the same way as the claimed invention. First, the infringer argued that the structural differences between the accused gun and the claimed invention were crucial to the successful operation of the accused gun, and second, that if the components of the accused gun were constructed and operated in a manner substantially the same as that recited in the patent claims, then the accused gun would not be operative for its intended purpose.

The Federal Circuit rejected both of these arguments, noting that infringement under the doctrine of equivalents is not precluded merely because the accused device is designed to include elements or perform functions in addition to those included in or performed by the claimed device. It is the elements and functions of the claimed invention, not the elements and functions of the accused device, which establish the reference point for the doctrine of equivalents analysis.<sup>146</sup> To find infringement under the doctrine, it is sufficient that the accused device performs substantially the same function in substantially the same way to achieve substantially the same result as the claimed invention.<sup>147</sup> The Federal Circuit, therefore, found it immaterial that the accused gun additionally had features or performed functions that were not included in or performed by the claimed device. It thus affirmed the district court's decision that the accused foam gun infringed the patent under the doctrine of equivalents.

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145. 906 F.2d 698 (Fed. Cir. 1990).

146. *Pennwalt Corp.*, *supra* note 132, at 934.

147. See *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1057 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 825 (1988).

D. *Summary Judgment of Noninfringement Under the Doctrine of Equivalents*

The district court in *Becton Dickinson & Co. v. C.R. Bard, Inc.*<sup>148</sup> held that with respect to claim 1 and all claims dependent thereon, the accused infringer was entitled to summary judgment of noninfringement.

The Federal Circuit agreed with the district court regarding the absence of literal infringement of claim 1, finding that there could be no dispute that the accused device did not literally include all of the limitations of claim 1.<sup>149</sup> The patent owner argued that the Teflon coating over the coil spring in the accused device should be treated as an "additional element beyond those recited in the claims and thus all limitations of the claim are met."<sup>150</sup> However, the Federal Circuit found that such a position would require the Court to disregard specific limitations set forth in the claim.<sup>151</sup>

With respect to the absence of infringement under the doctrine of equivalents, the district court had found that the accused product did not perform the work of the patented device "in substantially the same manner."<sup>152</sup> The Federal Circuit noted that to prevail on this issue, the patent owner bore the burden of proving that the Teflon coating of the accused device was equivalent to the jacket structure required by the claim.<sup>153</sup> The Federal Circuit found that the patent owner simply failed to recognize and satisfy its burden of proffering evidence with respect to equivalency.

The Federal Circuit concluded that because there was no genuine issue of material fact as to the absence from the accused device of at least one structural limitation, both literally and equivalently,

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148. 922 F.2d 792 (Fed. Cir. 1990).

149. Claim 1 recited, *inter alia*, "A flexible guide wire, comprising: . . . a plastic jacket . . . terminating at the coil spring proximal end . . ." (emphasis added). The accused device was covered by a Teflon coating which extends *without a break* over the core and the coil spring.

150. *Radio Steel & Mfg. Co. v. MTD Prods. Inc.*, 731 F.2d 840 (Fed. Cir.), *cert. denied*, 469 U.S. 831 (1984); *Uniroyal Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 825 (1988).

151. In appropriate circumstances, additional features of an accused device can be disregarded in an infringement analysis. See *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1042 (1984); *Uniroyal, Inc. v. Rudkin-Wiley*, 837 F.2d 1044, 1057.

152. *Becton Dickinson & Co. v. C.R. Bard, Inc.*, 719 F. Supp. 1228, 1249 (D. N.J. 1989) (emphasis in original), *aff'd*, 922 F.2d 792 (Fed. Cir. 1990).

153. Only if each claim limitation is satisfied, at least equivalently, can it be found that the two devices work "in substantially the same way." *Graver Tank, supra* note 134, at 608; *LaBounty Mfg., Inc. v. United States Int'l Trade Comm.*, 867 F.2d 1572, 1577 (Fed. Cir. 1989); *Pennwalt Corp.*, *supra* note 132, at 934.

the grant of summary judgment of noninfringement was not in error.

## XII. DEFENSES

### A. *Laches and Equitable Estoppel*

In the case of *Meyers v. Brooks Shoe, Inc.*<sup>154</sup> the patent owner had contacted the accused infringer's general counsel by telephone and notified the general counsel of the alleged infringement in August of 1983. In June of 1988 the patent owner filed suit against the accused infringer, alleging infringement of three different patents. The accused infringer moved for summary judgment on the defenses of laches and equitable estoppel.<sup>155</sup> The district court granted the accused infringer's motion.

The issue on appeal to the Federal Circuit was whether the district court had erred in concluding that there was no genuine issue as to any material fact and that the accused infringer was entitled to judgment on the defenses of laches and equitable estoppel as a matter of law.

The Federal Circuit found that the district court should not have granted summary judgment on the laches defense because the accused infringer had not presented undisputed facts showing that the patent owner's delay in filing suit was unreasonable and that the accused infringer had been prejudiced by the delay. The Federal Circuit further concluded that the accused infringer was not entitled to judgment on its defense of equitable estoppel. The court reasoned that it had failed to show unreasonable delay and prejudice, stating that a mere verbal charge of infringement, if made, followed by silence was not sufficient affirmative conduct to induce a belief that the patent owner had abandoned an infringement claim.

The Federal Circuit also found that the district court had erred in basing its decision on a single laches period (running from ap-

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154. 912 F.2d 1459 (Fed. Cir. 1990).

155. The defense of laches bars recovery of damages for any infringement occurring before suit was filed. The related defense of equitable estoppel bars all relief for patent infringement. To establish laches, the accused infringer must show unreasonable and inexcusable delay in filing suit and material prejudice resulting from the delay. *Jamesbury Corp. v. Litton Industrial Products, Inc.*, 839 F.2d 1544, 1551 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 828 (1988); *Hottel Corp. v. Seaman Corp.*, 833 F.2d 1570, 1572 (Fed. Cir. 1987). Laches is presumed in patent infringement cases if the delay in bringing suit is longer than six years. Otherwise, the accused infringer has the burden of proving both elements of the defense. To establish equitable estoppel, the accused infringer must show both elements of laches as well as affirmative conduct by the patent owner inducing the belief that the patent owner had abandoned the claims against the accused infringer and detrimental reliance by the accused infringer. *Jamesbury*, 839 F.2d at 1553; *Hottel*, 833 F.2d at 1573.

proximately 1983 to June of 1988) for all three patents. The patent owner could not have filed suit on the second patent until after it issued in May 1984, and could not have filed suit on the third patent until after it issued in December 1986. Therefore, the delay was at most 5 years for the first issued patent, but only 4 years for the second issued patent and 1 years for the third issued patent. Because each of these periods of delay was less than six years, the accused infringer had the burden of proving that each was unreasonable and that it was materially prejudiced by such delay.

The second patent at issue was a divisional of the first. When the patent owner learned of the alleged infringement, the second patent application was already pending. The Federal Circuit noted that waiting for issuance of the second patent to sue on both at the same time conserved both the parties' and the courts' resources. The Federal Circuit therefore concluded that it was reasonable for the patent owner to have waited to sue on the first patent, at least until the patent owner could sue on both the first and second patents at the same time.<sup>156</sup>

Accordingly, the Federal Circuit reversed the judgment of the district court and remanded the case for further proceedings.

The issue presented to the Federal Circuit in *Adelberg Laboratories, Inc. v. Miles, Inc.*<sup>157</sup> was whether the district court erred in granting summary judgment in favor of the accused infringer by finding that no genuine issue of material fact was raised with respect to the accused infringer's defenses of laches and estoppel.

In 1973, the patent owner granted an exclusive license, including the right to grant sublicenses. The patent owner became aware of allegedly infringing activity as early as 1977. In 1978, the exclusive licensee informed the patent owner that if the accused infringer did infringe the patent, then the infringer would have a right to the technology on the basis of a prior technology agreement.<sup>158</sup> The exclusive license was converted to a nonexclusive license in late 1985. In 1988, ten years after the last contact between the licensee and the alleged infringer, the patent owner filed suit against the alleged infringer for patent infringement.

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156. There may be times when a patentee must bring suit before the expected issuance of the second of two related patents. See, e.g., *A.C. Aukerman Co. v. Miller Formless Co.*, 693 F.2d 697, 699 n.4 (7th Cir. 1982).

157. 921 F.2d 1267 (Fed. Cir. 1990).

158. In 1971, the accused infringer had entered into a technology agreement with the exclusive licensee which gave the accused infringer rights to any future technology acquired by the exclusive licensee, including the patent at issue. The contents of the technology agreement were never revealed to the patent owner.



The Federal Circuit noted that there was no dispute that the delay by the patent owner exceeded six years, thus presumptively establishing laches. As the accused infringer had extensive sales during the period of delay, the Federal Circuit noted there was no dispute that the accused infringer was actually prejudiced by the delay.

The Federal Circuit found that on these facts, the district court had not abused its discretion in allowing the defense of laches.<sup>159</sup> The patent owner attempted to justify its delay on the basis of the technology agreement between the accused infringer and the third party.<sup>160</sup> The Federal Circuit did not find the argument persuasive, noting that a potential legal impediment to an infringement action, such as the defense of having a sublicense, is an unpersuasive excuse for failing to pursue an infringement action.

Although laches serves to bar only retrospective relief, the defense of estoppel totally bars any assertion of the patent claim.<sup>161</sup> The Federal Circuit took note of the district court findings that there was no genuine issue concerning the unreasonable delay in bringing suit and the resulting prejudice. There was also no genuine issue regarding the patent owner's inducement of the accused infringer to believe that it had abandoned its claim of infringement, thus satisfying the "affirmative conduct" element of the estoppel defense,<sup>162</sup> and that the accused infringer detrimentally relied on the patent owner's conduct.

The Federal Circuit found that the district court did not err in concluding, on summary judgment, that the patent owner should be estopped from pursuing its claim for patent infringement.

### B. *Assignor Estoppel*

The doctrine of assignor estoppel precludes a patent assignor,

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159. The application of the defense of laches is within the discretion of the trial court and will not be set aside absent a showing of abuse of discretion. *Jamesbury, supra* note 155, at 1551.

160. The patent owner asserted that if it had sued knowing that the accused infringer had a license under the patent, it could have been sanctioned under FED. R. CIV. P. 11.

161. *Hottel Corp., supra* note 155, at 1573.

162. The affirmative conduct that estoppel requires includes misrepresentations, affirmative acts of misconduct, or intentionally misleading silence by the patentee, *Broomall Indus. v. Data Design Logic Systems, Inc.*, 786 F.2d 401, 406 (Fed. Cir. 1986). The Federal Circuit indicated that the third party, at the patent owner's insistence, had asserted infringement against the accused infringer in 1977 and then waited until 1988 to sue. The court found the long period of silence by the patent owner after first affirmatively asserting patent infringement sufficed to support the conclusion that the patent owner reasonably induced the accused infringer to believe it had abandoned its claim. *See Hottel Corp., supra* note 155, at 1574.

as well as those in privity with the assignor, from contending that the patent is a nullity.<sup>163</sup> Privity with the assignor is determined upon a balance of the equities. For example, if an inventor assigns an invention to an employer company *A* and then leaves to join a company *B*, whether company *B* is in privity with the inventor (and thus bound by the doctrine of assignor estoppel) will depend upon the equities dictated by the relationship between the inventor and company *B* in light of the act of infringement. The closer the relationship between the inventor and company *B*, the more equity will favor applying the doctrine of assignor estoppel to company *B*.<sup>164</sup>

In the case of *Shamrock Technologies, Inc. v. Medical Sterilization, Inc.*<sup>165</sup> the doctrine of assignor estoppel was applied to bar a counterclaim of patent invalidity. The inventor in *Shamrock* was employed by the patent owner company between May 1980 and July 1983. As a condition of employment, the inventor agreed to assign his work-related inventions to the company. During his employment, the inventor invented a method and apparatus for processing polytetrafluoroethylene (PTFE) with radiation. In March 1982 the inventor assigned his rights in the invention to the company. A patent application for the invention was filed shortly thereafter. The inventor left the company in July 1983 and joined the infringer company as vice president in charge of operations. Thereafter, the infringing company began radiation processing of PTFE.

The patent owner sued both the infringing company and the inventor for patent infringement. The infringing company and the inventor counterclaimed for a declaration of patent invalidity. The district court entered summary judgment, holding that the accused process infringed the patent and that the affirmative defenses and counterclaim relating to patent invalidity were barred by assignor estoppel. The infringer company and the inventor appealed from the summary judgment, asserting that the district court erred in holding that assignor estoppel precluded the invalidity and unenforceability defenses.

On appeal, the Federal Circuit considered the balance of equi-

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163. *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988), *cert. dismissed*, 487 U.S. 1265 (1988).

164. *See, e.g.*, *Douglass v. United States Appliance Corp.*, 177 F.2d 98, 101 (9th Cir. 1949); *United States Appliance Corp. v. Beauty Shop Supply Co.*, 121 F.2d 149, 151 (9th Cir. 1991), *cert. denied*, 314 U.S. 680 (1941); *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.*, 110 F.2d 192, 195 (6th Cir. 1940); *Buckingham Prod. Co. v. McAleer Mfg. Co.*, 108 F.2d 192, 195 (6th Cir. 1939); *Frick Co. v. Lindsay*, 27 F.2d 59, 61 (4th Cir. 1928).

165. 903 F.2d 789 (Fed. Cir. 1990).

ties and the relationship of the inventor and the infringing company and agreed with the district court that no genuine issue of material fact existed regarding privity between the inventor and the infringing company.<sup>166</sup> The Federal Circuit further found that the mere classification of some of the defenses raised by the infringing company and inventor as equitable in nature (i.e., inequitable conduct) did not bar application of the doctrine of assignor estoppel. If that were possible, the doctrine of assignor estoppel could be avoided merely by couching invalidity defenses in terms of inequitable conduct. The Federal Circuit therefore affirmed the district court's entry of summary judgment.

### C. *Noninfringing Use*

In determining liability under 35 USC § 271(b) and (c) of a seller of a device capable of infringing a patented process, it is necessary to determine whether the accused device also has non-infringing uses, or whether the accused device can only be used in the practice of the patented process.<sup>167</sup>

The issue of whether the accused device had such non-infringing uses was presented in the case of *C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc.*<sup>168</sup> The subject patent in *C.R. Bard* was directed to a method of using a catheter in coronary angioplasty. The accused infringer marketed the only perfusion catheter approved by the FDA for use in coronary angioplasty. The district court had granted summary judgment in favor of the patent owner, finding that the accused infringer had actively induced or contributed to infringement of the patent.

On appeal, the Federal Circuit noted that, for purposes of this case, to find contributory infringement the accused infringer must sell a catheter for use in practicing the claimed process and for which such use constitutes a material part of the invention, with the

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166. In reaching this conclusion, the Federal Circuit noted that the following facts were undisputed: (1) in July 1983 the inventor left the patent owner company to join the infringer company as vice-president in charge of operations; (2) the inventor owned 50,000 shares of stock in the infringer company; (3) the infringer company was formed in 1982 to sterilize surgical instruments and manufacture other medical goods, yet as soon as the inventor was hired in 1983, the infringer company built facilities for processing PTFE with radiation; (4) the inventor oversaw the design and construction of those facilities; (5) the inventor was hired in part to start up the infringer company's infringing operations; (6) the decision to begin processing PTFE with radiation was made jointly by the inventor and the president of the infringer company; (7) the infringer company began manufacturing PTFE with radiation in 1985; and (8) the inventor was in charge of the infringer company's PTFE operation.

167. *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 199 (1980).

168. 911 F.2d 670 (Fed. Cir. 1990).

accused infringer knowing that the catheter was especially made or adapted for use in infringing the patent, and the catheter must not be a staple article or commodity of commerce suitable for substantial noninfringing use. The Federal Circuit found that there was uncontested evidence in the record that the accused device could be used in processes which did not infringe the subject patent. Viewing this evidence in a light most favorable to the nonmoving party, and resolving all reasonable inferences in the accused infringer's favor, the Federal Circuit concluded that it could not be said that the patent owner was entitled to judgment as a matter of law. The grant of summary judgment was reversed and the case remanded.

### XIII. INJUNCTIONS — 35 USC § 283

#### A. *Injunctive Relief and 35 USC § 271(e)(1)*

After a jury trial in the case of *Eli Lilly & Co. v. Medtronic, Inc.*,<sup>169</sup> the accused infringer was found liable for the manufacture, use and sale of infringing medical devices known as pacemaker cardioverter defibrillators. The district court had concluded that the exemption from infringement provided by 35 USC § 271(e)(1) was not available for medical devices, and had therefore precluded consideration of that issue at trial. A permanent injunction was issued.

On appeal, the Federal Circuit held that the district court had erred in concluding that the exemption from infringement provided by 35 USC § 271(e)(1) was not available for such devices.<sup>170</sup> The Federal Circuit remanded for trial to determine whether the accused infringer's activities in fact fell within the statutory exemption.

Upon remand, the accused infringer asked for the injunction to be vacated, modified or stayed and for a new trial. Without any additional proceedings on the merits of the § 271(e)(1) issue, the district court modified the injunction to exclude activities falling under § 271(e)(1), but otherwise left the injunction intact. Subsequently, the patent owner moved to hold the accused infringer in contempt for violation of the modified injunction. The district court found that the accused infringer had violated the terms of the modified injunction and issued a contempt order.<sup>171</sup> The accused

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169. 5 U.S.P.Q.2d (BNA) 1760 (E.D. Pa. 1987).

170. *Eli Lilly & Co. v. Medtronic, Inc.*, 872 F.2d 402 (Fed. Cir. 1989), *aff'd*, 110 S. Ct. 2683 (1990).

171. *Eli Lilly & Co. v. Medtronic, Inc.*, 735 F. Supp. 652 (E.D. Pa. 1990).

infringer appealed the district court's contempt order to the Federal Circuit.

The Federal Circuit first concluded that the district court's findings were insufficient to establish a violation of the modified injunction.<sup>172</sup> The injunction prohibited activities that infringed the subject patents, either directly, contributorily or by inducement. The activities cited by the district court included lectures given by the accused infringer during which the accused devices were discussed and the publication of an Annual Report that contained a two-page section showing a photograph of the accused devices.

The Federal Circuit found that the cited activities were not themselves acts of infringement, and that there was no evidence that the accused infringer contemplated any sales of the accused devices until after the expiration of the subject patents. The Federal Circuit accordingly concluded that, absent a finding of infringement, no contempt could be found.

The Federal Circuit further concluded that the modified injunction itself must be vacated.<sup>173</sup> In its prior judgment, the Federal Circuit had held that the accused infringer had been deprived of the opportunity to prove a valid exemption to infringement under § 271(e)(1). The case had been remanded for trial on that issue. However, on remand, the district court had not vacated any part of the judgment. Instead, the district court had merely modified the injunction so as to exclude § 271(e)(1) activities. According to the Federal Circuit, that action was not sufficient to correct the defect in the judgment itself. The mandate of the Federal Circuit required the prior judgment to be vacated.

In addition, the Federal Circuit found that the original injunction had been based on a defective infringement judgment and, therefore, must also be vacated. Section 271(e)(3) of the statute specifically provides that no injunction may issue until the § 271(e)(1) exemption has been adjudicated and ruled out. A proper judgment of infringement requires consideration of, and an adverse ruling on, the § 271(e)(1) issue. Accordingly, the district court should not have merely modified the original injunction to exclude § 271(e)(1) activities, but should have vacated the injunction. The court stated that the language of the statute clearly required the district court to decide the § 271(e)(1) issue prior to the grant of injunctive relief.

Accordingly, the Federal Circuit reversed the district court's order holding the accused infringer in contempt, vacated the prior

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172. *Eli Lilly & Co. v. Medtronic, Inc.*, 915 F.2d 670 (Fed. Cir. 1990).

173. *Id.*

judgment of infringement, and all injunctive orders based on that judgment. Further, the Federal Circuit declared that no permanent injunction could be granted unless and until a judgment of infringement was entered following consideration of the asserted exemption to infringement under § 271(e)(1).

### B. Preliminary Injunction

In the case of *Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.*<sup>174</sup> the patent owner sought a preliminary injunction to halt the manufacture and sale of allegedly infringing replacement parts for the patent owner's trucks.

In reviewing the district court's denial of the patent owner's motion,<sup>175</sup> the Federal Circuit applied the well-known four-factor analysis to determine if the patent owner had established a right to a preliminary injunction.<sup>176</sup> The Court treated the application of the factors as a procedural issue, noting that for substantive matters not exclusively assigned to the Federal Circuit, the Court's general practice is to apply the appropriate regional circuit law to the related procedural issues.<sup>177</sup> However, the Court noted that when the question on appeal involves substantive matters unique to the Federal Circuit, as in *Chrysler Motors Corp.*, the Court applies the law of the Federal Circuit to the related procedural issues.<sup>178</sup>

The Federal Circuit found that the district court did not abuse its discretion in holding that the patent owner had not met the reasonable likelihood of success or irreparable harm prongs of the preliminary injunction test.<sup>179</sup> Without the requisite showing of validity, the patent owner was not entitled to any presumption regarding harm.

### C. Requirement of Irreparable Harm

The Federal Circuit has previously noted that the patent sys-

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174. 908 F.2d 951 (Fed. Cir. 1990) (hereinafter "*Chrysler Motors Corp.*").

175. *Chrysler Motors Corp.*, 719 F. Supp. 622 (S.D. Ohio 1989).

176. *Citing to T.J. Smith & Nephew Ltd. v. Consolidated Medical Equip., Inc.*, 821 F.2d 646, 647, 3 U.S.P.Q.2d (BNA) 1316, 1317 (Fed. Cir. 1987). *Chrysler Motors Corp.*, *supra* note 174, at 952 applied four factors: 1) a reasonable likelihood of success on the merits; 2) irreparable harm; 3) the balance of hardships tipping in favor of the requesting party; and 4) that the issuance of an injunction is in the public interest.

177. *Atari Games Corp. v. Nintendo of Am., Inc.*, 897 F.2d 1572, 1575 (Fed. Cir. 1990); *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984).

178. *Hybritech Inc. v. Abbott Laboratories*, 849 F.2d 1446, 1451 n.12 (Fed. Cir. 1988).

179. The trial judge's determination will be reviewed by the Federal Circuit solely to ascertain if there was an abuse of discretion, an error of law, or a serious misjudgment of the evidence. *T.J. Smith & Nephew Ltd. v. Consolidated Medical Equip., Inc.*, 821 F.2d at 647.

tem is disserved by the concept that no patentee could ever be irreparably harmed by an alleged infringer's pretrial sales so long as an alleged infringer is capable of responding in damages.<sup>180</sup> In the case of *Illinois Tool Works, Inc. v. Grip-Pak, Inc.*<sup>181</sup> the Federal Circuit recognized that the patent system is equally disserved by the concept that every patentee is always irreparably harmed by an alleged infringer's pretrial sales.

Before the district court, the patent owner in *Illinois Tool Works* had moved for a preliminary injunction against the accused infringer.<sup>182</sup> The district court found that a market value for the invention could be established by looking to an existing license for the patent in suit. The district court also found no showing that the accused infringer could not pay damages assessed against it for infringement. The district court concluded that monetary damages would sufficiently compensate the patent owner for alleged infringement occurring during the course of the litigation and consequently denied the patent owner's motion for preliminary injunction.

The issue on appeal was whether the district court had abused its discretion in denying a preliminary injunction.

On appeal, the patent owner argued that irreparable harm had been demonstrated by evidence of the patent owner's potential lost sales. The Federal Circuit rejected this argument, reasoning that acceptance of such a position would require a finding of irreparable harm to every manufacturer/patentee, regardless of circumstances. The patent owner also argued that the presence of a patent license should not be construed as evidence of the absence of irreparable harm. However, the Federal Circuit found nothing in the record to indicate how the "lost sales" attributable to the accused infringer would be any less compensable in dollars than the "lost sales" attributable to the patent licensee. The Federal Circuit, therefore, affirmed the district court's denial of the patent owner's motion for preliminary injunction.

#### D. *Modification of Injunctive Order*

The patent owner in the case of *Spindelfabrik Suessen-Schurr v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*<sup>183</sup> had filed suit for infringement in 1983. After a trial, the district court held that the infringers had willfully infringed the subject patent.

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180. See *Roper Corp. v. Litton Systems, Inc.*, 757 F.2d 1266, 1269 n.2 (Fed. Cir. 1985).

181. 906 F.2d 679 (Fed. Cir. 1990).

182. *Illinois Tool Works, Inc. v. Grip-Pak, Inc.*, 725 F. Supp. 951 (N.D. Ill. 1989).

183. 903 F.2d 1568 (Fed. Cir. 1990).

The district court issued an injunctive order which prohibited sales in the U.S. of the infringing machine, any colorable imitation thereof, or any other apparatus covered by the claims of the subject patent.

Subsequently, the infringers were found to be in contempt of the injunction. At the second contempt proceeding, the district court held that because of the infringers' "flagrant contemptuous conduct" it was necessary to impose additional injunctive relief in order to secure future compliance with the district court's orders.<sup>184</sup> The district court therefore issued a substantially broadened injunctive order.<sup>185</sup>

On appeal, the Federal Circuit found that the infringers' repeated violations of the earlier injunctive order provided ample basis for concluding that the more traditional and narrower forms of relief imposed in the first order were not adequate and justified the broader provisions of the later injunctive order. Thus, broadening the injunction to cover "*any* automated rotor spinning machine," without the qualifying word "infringing," was not an abuse of discretion.<sup>186</sup> Similarly, in view of the infringers' sale of machines with minor modifications that did not avoid infringement, it was not unreasonable for the district court to require the infringers to first ob-

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184. *Id.* at 1574.

185. The broadened injunctive order prohibited the infringers from "directly or indirectly engaging in any activity which in any way relates to the manufacture, sale, use, servicing, exhibition, demonstration, promotion or commercialization of any automated rotor spinning machines, either in the U.S. or for use in the U.S." The order also required that the infringers "immediately cancel all pending orders in their possession for automated rotor spinning machines destined for delivery to the U.S." and "prominently include . . . in all advertising materials, promotional literature, brochures, press releases and the like which relate in any way to any automated rotor spinning machines manufactured by or with the assistance or participation of defendants, or either of them" a notice that the machine was "not available for sale or use in, or delivery to the U.S." The order further provided that if, in the future, the infringers "so substantially redesign an automated open-end spinning machine in such a way that they have a good faith belief that they can clearly and convincingly show that the changes therein are so significant that such redesigned machine does not infringe any of the adjudged infringed U.S. patents," the infringers, "prior to engaging in any activity enjoined by this Court's orders, [shall] make application in verified form to this Court for relief from the [pertinent] provisions of [the decree]. In any such application for relief, defendants shall set forth full details of their redesigned machine and shall verify that they have made such machine together with relevant technical documentation fully available to plaintiffs at a convenient location outside the U.S. for their inspection, testing and comment to this Court prior to any ruling by the Court on the application for relief." Further, the district court required that the chief executive officer of the infringer file with the district court quarterly sworn statements "certifying that, based upon his individual inspection of all relevant information available to the defendants, all Orders entered in this action have been fully complied with." *Id.* at 1574-75.

186. *Id.* at 1577.



tain the district court's permission before attempting sales of other modified machines.

The infringers argued that the second injunction impermissibly extended the reach of U.S. patent law beyond the boundaries of the U.S. by applying its prohibitions to machines manufactured in Germany. The Federal Circuit noted, however, that the requirements of the injunction applied only to machines "in the U.S. or for use in the U.S." or which are "destined for delivery to the U.S."<sup>187</sup> The Federal Circuit found these provisions were a reasonable and permissible method of preventing infringement in the U.S., were within the district court's authority, and were not a prohibited extra-territorial application of U.S. patent law.

*E. Presumption of Irreparable Harm Under 19 USC § 1337  
May be Rebutted by Evidence of Likely Actual Harm*

In the case of *Rosemount, Inc. v. U.S. International Trade Commission*,<sup>188</sup> the patent owner moved for temporary relief in a proceeding before the ITC under 19 USC § 1337. The Commission found that the presumption of irreparable harm to which the patent owner was entitled was rebutted by the evidence.<sup>189</sup> The Commission, therefore, denied the patent owner's motion for temporary relief, and the patent owner appealed from the Commission's order denying relief.<sup>190</sup>

The principal issue on appeal was whether the Commission had committed an error of law in determining that the presumption of irreparable harm, which was afforded to the patent owner by its strong showing of success on the merits,<sup>191</sup> was rebuttable by evidence of the patent owner's likely actual damages.

The Federal Circuit observed that, like any other presumption of fact, a presumption of irreparable harm to a patent owner cannot

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187. *Id.* at 1577-78.

188. 910 F.2d 819 (Fed. Cir. 1990).

189. Included was evidence establishing: 1) the patent owner's delay in bringing suit; 2) the patent owner's grant of two licenses; 3) the patent owner's large market share as compared to the "minuscule" share of the accused infringer; 4) the presence of twelve major noninfringing competitors in the U.S. market; 5) the availability of a damage remedy in district court; 6) the growth in U.S. market share experienced by the patent owner for the two previous fiscal years; 7) the growth in U.S. market share anticipated by the patent owner for the next four to five years; and 8) the improbability that the accused infringer's very small U.S. market share would increase during the pendency of the investigation.

190. *In re Certain Pressure Transmitters*, Inv. No. 337-TA-304, 1991 ITC LEXIS 833 (March 19, 1990).

191. *See Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 996 (1983).

override the evidence of record.<sup>192</sup>

The Federal Circuit further rejected the patent owner's argument that a presumption of irreparable harm can be overcome only by evidence that the accused infringer had stopped importation of the allegedly infringing products. Consequently, it was proper for the Commission to take into consideration all of the evidence relating to the patent owner's actual harm.

The Federal Circuit concluded that the Commission's denial of temporary relief was based on a correct interpretation of the law, on findings supported by substantial evidence, and was reasonable on the facts of the case. The Federal Circuit therefore affirmed the Commissioner's denial of temporary relief.

*F. A Respondent's Secondary Products May be Included Within the Scope of Exclusion Orders Under 19 USC § 1337*

The respondent in *Hyundai Electronics Industries Co., Ltd. v. U.S. International Trade Commission*<sup>193</sup> produced Erasable Programmable Read Only Memories (EPROMs) for a third party. The third party routinely took possession of the EPROMs in Korea, shipped them to Taiwan for further processing, and subsequently imported some portion of the EPROMs into the U.S. The respondent did not use the accused EPROMs in its own products, and did not import the accused EPROMs, in any form, into the U.S.

The accused EPROMs were found to infringe valid U.S. patents. The Commission, therefore, issued an order prohibiting the respondent from importing the infringing EPROMs into the U.S., and also requiring the respondent to certify, as a condition of entry, that certain of its "secondary" products<sup>194</sup> did not contain the infringing EPROMs.<sup>195</sup> There was no evidence of the number and type of EPROMs contained in the secondary products sought to be excluded. Nevertheless, the Commission concluded that these secondary products could be included within the scope of the protective order without requiring a showing that the secondary products caused injury to the domestic EPROM industry.

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192. *Illinois Tool Works, Inc. v. Grip-Pak, Inc.*, *supra* note 176, at 683-84; *Panduit Corp. v. All States Plastics Mfg. Co.*, 744 F.2d 1564 (Fed. Cir. 1984).

193. 899 F.2d 1204 (Fed. Cir. 1990).

194. *I.e.*, computers, computer peripherals, telecommunications equipment, and automotive electronic equipment.

195. *Hyundai*, *supra* note 193, at 1205 (citing to *Certain Erasable Programmable Read Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories*, Inv. No. 337-TA-276, 1989 ITC LEXIS 122 (May 1989)).

The principal issue presented on appeal was whether the Commission properly included the respondent's secondary products within the scope of the exclusion order.

The Federal Circuit concluded that the appropriate standard of review was whether the Commission's choice of remedy was arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.<sup>196</sup> The Federal Circuit found that the Commission's remedy in *Hyundai* readily met the abuse of discretion standard, and that the Commission's limited exclusion order requiring the respondent to certify, as a condition of entry, that certain of its secondary products do not contain infringing EPROMs, was reasonable. The decision and exclusion order of the Commission was thus affirmed.

G. *19 USC § 337(a) Does Not Prohibit Imports Made by an Unpatented Process Using a Patented Article*

The subject patent in the case of *Amgen, Inc. v. U.S. International Trade Commission*<sup>197</sup> contained article claims directed to recombinant DNA sequences, vectors and host cells used to produce recombinant erythropoietin (rEPO).<sup>198</sup> The patent did not contain any process claim, nor did the patent contain any article claim directed to rEPO itself.<sup>199</sup>

In a complaint filed with the Commission, the patent owner alleged that the accused infringer had violated 19 USC § 1337 and § 1337(a) by importing rEPO made by a process "covered" by the subject patent. The patent owner's theory of liability was that the accused infringer's process for making rEPO used the articles claimed in the patent. More specifically, if the accused infringer's process for making EPO was performed in the U.S., then the process would infringe the patent because the process would *use* the claimed articles, and the *use* of the claimed articles would be an infringement of the article claims. Therefore, the patent owner ar-

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196. *Id.* at 1207-08 (The respondent had argued that the appropriate standard of review was that of "substantial evidence," requires the Federal Circuit to set aside a Commission remedy determination if that determination is not supported by substantial evidence. (citation omitted) The Federal Circuit rejected this argument, finding that the substantial evidence standard of review is applied only to Commission factual findings underlying determinations to exclude goods from entry under Subsections 337(d) and (e)).

197. 902 F.2d 1532 (Fed. Cir. 1990).

198. Erythropoietin is a hormone which controls the synthesis of red blood cells in bone marrow and which is useful for treating patients suffering from anemia.

199. The application which matured into the '008 patent originally contained claims to the process of producing rEPO. The process claims were canceled prior to issuance of the '008 patent. *Amgen*, *supra* note 197, at 1534 n.1.

gued, the article claims of the patent "covered" the process for making rEPO, and the importation of goods made by that process was within the terms of § 337.<sup>200</sup>

The administrative law judge (ALJ) determined that the Commission had subject matter jurisdiction over the patent owner's complaint, but the claims of the patent did not cover the accused process for making rEPO. The ALJ therefore concluded that no violation of § 337(a)(1)(B)(ii) had occurred.<sup>201</sup>

The Commission disagreed with the ALJ on the jurisdictional issue. The Commission concluded that an investigation under § 337(a)(1)(B)(ii) required, as a jurisdictional prerequisite, the presence of at least one process claim in the patent. Since the subject patent did not contain any process claim, the Commission concluded that the complaint should be dismissed for lack of subject matter jurisdiction, rather than on the merits, and entered an order terminating the investigation.<sup>202</sup> The patent owner appealed from the Commission order dismissing the complaint for lack of subject matter jurisdiction. Both the Commission and the accused infringer filed motions to dismiss the appeal on the ground that the Federal Circuit was without jurisdiction to review the Commission's order, since that order constituted a dismissal for lack of subject matter jurisdiction and was not a final determination on the merits.

On appeal, the Federal Circuit first considered the threshold jurisdictional issue. The Federal Circuit's authority to review a decision of the Commission is limited by § 337(c), which requires a "final determination decision on the merits, excluding or refusing to exclude articles from 'entry' " under § 337(d), (e), (f) or (g).<sup>203</sup> However, the mere fact that the Commission labeled its dismissal as one for lack of subject matter jurisdiction, rather than as a final determination on the merits, was not dispositive of the jurisdictional issue. The Federal Circuit stated that it will recognize as appealable under § 337(c) any decision that is "intrinsicly" a final determination on the merits.<sup>204</sup>

In determining whether a Commission order is intrinsicly a final determination, the presence or absence of findings by the Commission is critical. In *Amgen*, the Commission found that the

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200. *Id.* at 1534.

201. *Id.* at 1534-35.

202. *In re Certain Recombinant Erythropoietin*, 10 U.S.P.Q.2d (BNA) 1906 (1989).

203. *Block v. U.S. Int'l Trade Comm'n*, 777 F.2d 1568, 1571 (Fed. Cir. 1985) (emphasis in original).

204. *Id.*; *Import Motors Ltd. v. U.S. Int'l Trade Comm'n*, 530 F.2d 940, 944 (C.C.P.A. 1976).

claims of the subject patent did not cover a process. The Federal Circuit viewed this finding as clearly reaching the merits of the patent owner's complaint and being determinative of the patent owner's right to proceed in a § 337 action. Thus, although not identified as such, the Commission's dismissal for lack of subject matter jurisdiction was "intrinsically" a final decision on the merits. The Federal Circuit consequently held that it had jurisdiction to review the Commission's order, and proceeded to deny the Commission's, and the accused infringer's, motion to dismiss the appeal.

The Federal Circuit concluded that the Commission should have treated the patent owner's complaint on the merits, not on jurisdictional grounds. The complaint alleged that the accused infringer was importing rEPO, and that the rEPO was made by a process covered by the subject patent. The complaint therefore, on its face, came within the jurisdiction of the Commission. That the patent owner was later unable to sustain these allegations was not material to the issue of jurisdiction. The Federal Circuit held that the Commission should have assumed jurisdiction, and, if the facts indicated that the patent owner could not obtain relief under § 337(a)(1)(B)(ii), then the Commission should have dismissed on the merits.

The Federal Circuit then addressed the issue of whether § 337(a)(1)(B)(ii) was intended to prohibit the importation of articles made abroad by a process in which a *product* claimed in a U.S. patent is used. The Federal Circuit found that § 337(a) was enacted to prohibit imports made by using a *process* protected by a U.S. patent, and not to prohibit imports made by a process using an *article* protected by a U.S. patent.<sup>205</sup> Since none of the claims of the subject patent covered the process performed overseas by the accused infringer, the Federal Circuit concluded that the patent owner's complaint under § 337(a)(1)(B)(ii) must be dismissed. Therefore, the Federal Circuit vacated the Commission's Order, and remanded for entry of a final determination dismissing the complaint on the merits.

#### H. *Injunctive Relief Involving Both Patent and Antitrust Issues*

When a patented product is so successful that it creates its own economic market or consumes a large section of an existing market, a fine line may exist between actions that protect the legitimate in-

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205. *Amgen*, *supra* note 197, at 1539.

terests of the patent owner and actions that violate the antitrust laws. On the one hand, the patent owner must be allowed to protect the property right given to it under the patent laws. On the other hand, the patent owner may not take the property right granted by a patent and use it to improperly extend its power in the marketplace beyond the limits of the patent laws. The danger of disturbing the complementary balance between patent and antitrust rights is particularly great when a court is asked to preliminarily enjoin conduct affecting both such rights.

The issue of a preliminary injunction involving both patent and antitrust rights was presented in the case of *Atari Games Corp. v. Nintendo of America, Inc.*<sup>206</sup> The patent owner (Nintendo) was the industry leader in home video game equipment, occupying an 80% share of the market.<sup>207</sup> The subject patent was directed to a security system necessary for a game cartridge to be played on the Nintendo Entertainment System (NES).

The accused infringer, without license from the patent owner, manufactured and sold its own Nintendo compatible cartridges which were able to circumvent the NES security system. The accused infringer asserted that the patent owner had sent letters to retailers threatening suit for infringement against any retailer who sold unauthorized NES compatible game cartridges. The accused infringer filed suit against the patent owner for unfair competition and antitrust violations, asserting that the patent owner was improperly using its patent and greater market share to monopolize the home video game market. The patent owner then filed suit against the accused infringer, alleging (among other things) patent infringement.

The suits were consolidated. The accused infringer sought a preliminary injunction to prevent the patent owner from suing retailers of the accused NES compatible cartridges. The district court granted the preliminary injunction. However, the district court went further and also enjoined the accused infringer from filing suit against the patent owner's customers. Both parties appealed the decision to the Federal Circuit.

Applying the law of the Ninth Circuit, the Federal Circuit found no sufficient factual basis to support the findings necessary to grant a preliminary injunction. The district court had based its grant of the preliminary injunction on a finding that "serious questions" existed and the balance of harms tipped sharply in favor of

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206. 897 F.2d 1572.

207. *Id.* at 1574.

the accused infringer. In determining the existence of "serious questions", however, the district court relied solely upon allegations made by the accused infringer. The district court made no findings of fact, except for a finding that the accused infringer's allegations "are supported by the documents submitted, and are not substantially disputed" by the patent owner.<sup>208</sup> The district court had not made a finding that the accused infringer could probably prove its allegations.

Under certain circumstances, a preliminary injunction may issue on the basis of affidavits alone.<sup>209</sup> However, because of the competing patent and antitrust interests presented in *Atari*, the Federal Circuit concluded that the district court's reliance solely upon the accused infringer's allegations and supporting affidavits was an abuse of discretion. The Federal Circuit therefore vacated the preliminary injunction and remanded the action to the district court.

#### XIV. DAMAGES — 35 USC § 284

##### A. *Calculating Lost Profits*

After a trial on damages, the district court in the case of *Beatrice Foods Co. v. New England Printing and Lithographing Co.*<sup>210</sup> held that the appropriate measure of damages was the patent owner's lost profits due to the infringer's infringing activity.<sup>211</sup> The district court measured the damages by the amount of the infringer's sales. The district court then used the infringer's sales as the measure of the patent owner's lost profits, stating that since the infringing sales were illicit, the infringer was not entitled to any deduction. The district court awarded the patent owner damages for infringement in the amount of \$22,107,837. The infringer appealed the damage award.

On appeal, the infringer argued that the dollar figure chosen by the district court was clearly erroneous. The Federal Circuit concluded, however, that the infringer was unable to show better support for any other dollar figure.<sup>212</sup> The Federal Circuit therefore

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208. *Id.* at 1575.

209. *International Molders' & Allied Workers' Local Union No. 164 v. Nelson*, 799 F.2d 547 (9th Cir. 1986).

210. 224 U.S.P.Q. (BNA) 982 (D. Conn. 1984).

211. The Federal Circuit affirmed in the liability phase of this same case, 758 F.2d 668 (Fed. Cir. 1984), the district court's judgment of infringement found in *Beatrice Foods Co. v. New England Printing and Lithographing Co.*, 224 U.S.P.Q. (BNA) 982 (D. Conn. 1984).

212. *Lindemann Maschinenfabrik GmbH v. American Hoist & Derrick Co.*, 895 F.2d 1403, 1406-08 (Fed. Cir. 1990).

affirmed the district court's selection of \$22,107,837 as the dollar amount of the infringer's infringing sales.

However, the Federal Circuit did not agree that the district court had the equitable discretion to simply equate the infringer's sales with the patent owner's lost profit damages. The district court's stated reason for doing so (that the infringer, as a tortfeasor, had no manufacturing costs) did not, in the opinion of the Federal Circuit, implement the standard of the patent owner's lost profits required by 35 USC § 284. The Federal Circuit therefore vacated the judgment that damages were equal to \$22,107,837, and remanded to the district court for the purpose of determining the damages on the basis of the patent owner's lost profits.<sup>213</sup>

*B. Addition of a Sole Licensee Corporation as a Party for the Purpose of Measuring Damages*

In the case of *Kalman v. Berlyn Corp.*<sup>214</sup> the patentee and a partner had formed a corporation that manufactured and marketed the patented device. The patentee and his partner each owned 50% of the corporation's stock, and were its sole directors.

After a decision in a trial for infringement liability, the district court conducted a trial to determine the amount of damages to which the patentee was entitled.<sup>215</sup> In an effort to obtain the full amount of the corporation's lost profits as damages, the patentee, in his post-trial brief, moved pursuant to Rules 15 and 21 of the Federal Rules of Civil Procedure to amend the pleadings to add the corporation as a plaintiff.<sup>216</sup>

The district court denied the patentee's motion. Stating that there was an important legal question as to whether the corporation was an exclusive licensee for the manufacture of the patented device,<sup>217</sup> the district court concluded that the infringer should have been afforded the opportunity to conduct discovery regarding the

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213. In so doing, the Federal Circuit noted that the district court may, in its equitable discretion, grant the patent owner's request that its actual damages be multiplied, as authorized by 35 USC § 284, even if such an award exceeds \$22,107,837. *Beatrice Foods Co. v. New England Printing and Lithographing Co.*, *supra* note 210, at 1176.

214. 914 F.2d 1473 (Fed. Cir. 1990).

215. See *Kalman v. Berlyn Corp.*, 9 U.S.P.Q.2d (BNA) 1191, 1192 (D. Mass. 1988) (*Kalman VT*) (the damages trial).

216. "Rule 21 of the Federal Rules of Civil Procedure states that '[p]arties may be dropped or added by order of the court on motion of any party or of its own initiative at any stage of the action and on such terms as are just.' FED. R. CIV. P. 21. Rule 15(a) provides that a party may amend its pleadings by leave of court, 'and leave shall be freely given when justice so requires.' FED. R. CIV. P. 15(a)." *Kalman*, 914 F.2d at 1479.

217. Generally, a non-exclusive patent licensee has no standing to sue for infringement.



existence and terms of a licensing agreement between the corporation and the patentee. The district court therefore limited the patentee's damages to his entitlement to the corporation's profits as a 50% shareholder in the corporation. The patentee appealed.

The Federal Circuit found that the record demonstrated that the infringer had considered the patentee and the corporation to be a single entity for purposes of damages, and that the infringer had not been harmed by a lack of discovery of the corporation's business practices. The Federal Circuit also concluded that the corporation had legal standing to join as a co-plaintiff in the suit for damages. The record demonstrated that the sole licensee corporation had been directly damaged by the infringer in a two-supplier market, that the "nexus" between the sole licensee corporation and the patentee was clearly defined, and that the infringer had reason to know of the corporation's interest and standing. Under these circumstances, the Federal Circuit found that the sole licensee corporation must be recognized as the real party in interest with standing to sue.

The Federal Circuit concluded that, in denying the patentee's motion to amend his complaint to add the corporation as a plaintiff, the district court's abuse of discretion resulted in a clear error of judgment. The Federal Circuit consequently held that the complaint may be amended to add the corporation as a plaintiff.

### C. *Willful Infringement*

The district court found in *Gustafson, Inc. v. Intersystems Industrial Products, Inc.*<sup>218</sup> that the infringer had been aware of the subject patents only as of the date on which suit was filed. The district court concluded, however, that the infringement had been willful because the infringer had "taken no action" to ascertain whether the products it was producing would infringe. The district court denied an award of damages, but awarded the patent owner attorney fees based solely on the finding of willful infringement. The infringer appealed from the award of attorney fees.

The issue on appeal was whether the district court clearly erred in finding the infringement willful.

In deciding this issue, the Federal Circuit observed that the question of whether infringement is "willful" is a question of the infringer's intent. That intent must be inferred from all of the cir-

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However, an exclusive licensee may have standing to join as a co-plaintiff in a patent infringement action. See *Kalman*, 914 F.2d at 1481.

218. 897 F.2d 508 (Fed. Cir. 1990).

cumstances.<sup>219</sup> If an infringer has no knowledge of a patent, then the patent infringement cannot be "willful."<sup>220</sup>

The Federal Circuit noted that there is no universal rule that avoidance of willfulness requires an accused infringer to cease manufacture of a product immediately upon learning of a patent, or upon receipt of a patentee's charge of infringement, or upon the filing of suit.<sup>221</sup> If an accused infringer exercises "due care", it may continue to manufacture and may present what it believes, in good faith, to be a legitimate defense without risk of being found, on that basis alone, to be a willful infringer.<sup>222</sup> Willful infringement is not established if such a good faith defense later proves unsuccessful. Conversely, an infringer's presentation in bad faith of a totally unsupported, frivolous defense may, in itself, provide a basis for attorney fees under 35 USC § 285. It may also, in light of all the circumstances, constitute some evidence that the infringement was willful.<sup>223</sup>

In *Gustafson*, the district court did not find that the infringer's defenses were frivolous. That fact, coupled with the fact that the infringer had been aware of the subject patents only as of the date on which suit was filed, led the Federal Circuit to conclude that a finding of willfulness was precluded. Because the district court's award of attorney fees was based solely on its finding of willful infringement was determined by the Federal Circuit to be clearly erroneous, the attorney fee award was thus reversed. Thus, no basis existed for designating *Gustafson* an "exceptional" case for granting attorney fees.

#### D. *Sanctions Under Rule 37 of the Federal Rules of Civil Procedure*

The case of *Refac International, Ltd. v. Hitachi, Ltd.*<sup>224</sup> involved an appeal by the patentee from a district court order entering judgment of noninfringement in favor of the accused infringers and dismissing the action pursuant to Rule 37(b)(2) of the Federal Rules of Civil Procedure.<sup>225</sup>

The district court had required the patentee to establish, with

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219. *Id.* at 510-11.

220. *Id.* at 511.

221. *Id.*

222. *Id.*

223. *Id.*

224. 921 F.2d 1247 (Fed. Cir. 1990).

225. FED. R. CIV. P. 37(b)(2)(B) allows for dismissal and default judgments as sanctions for failing to obey a discovery order.

particularity as to each accused infringer and each product, the basis for the alleged infringement. The patentee's response to the district court's requirement failed to identify the elements of specific products corresponding to the elements of the patent claims, failed to include any analysis of the patents in suit, and was not directed to any specific defendant or any specific accused products.

The Federal Circuit concluded that, in view of these facts, the district court's finding of noncompliance was not clearly erroneous. Further, the extent of the patentee's noncompliance (underscored by the patentee's inability to spell out a proper basis for the alleged infringements more than a year after bringing suit) supported the district court's finding of willfulness. Thus, the Federal Circuit found that the district court did not abuse its discretion in applying Rule 37 sanctions.

Accordingly, the Federal Circuit affirmed the order of dismissal, awarded attorney fees and double costs to the alleged infringers,<sup>226</sup> and remanded for consideration of appropriate sanctions against the patentee.<sup>227</sup>

#### E. *Calculation of Reasonable Royalty*

The fact of patent infringement establishes the fact of damage because the patent owner's right to exclude has been violated.<sup>228</sup> However, the patent owner must still prove the amount of damage. A patent owner who puts on little or no satisfactory evidence of a "reasonable royalty" under 35 USC § 284 cannot successfully appeal on the ground that the amount awarded by the court is not "reasonable".<sup>229</sup>

In the case of *Lindemann Maschinenfabrik GmbH, v. American Hoist & Derrick Co.*<sup>230</sup> the patent owner's sole source of evidence on the amount of damages came from its expert, a patent attorney. At the evidentiary hearing, the patent owner's expert gave his opinion that a reasonable royalty rate should be based on the net selling price of the entire machine containing the infringing components, resulting in a damage award of between \$179,844 and \$244,805. The infringer's expert gave his opinion that a reasonable royalty

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226. FED. R. APP. P. 38.

227. FED. R. CIV. P. 11.

228. See *Zegers v. Zegers, Inc.*, 458 F.2d 726, 729-30 (7th Cir. 1972), *cert. denied*, 409 U.S. 878 (1972); *cf. Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1326 (Fed. Cir. 1987).

229. See *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1519 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 871 (1984).

230. 895 F.2d 1403.

should not be based on the entire machine, and that the patent owner's damages should total \$3,000.

The district court awarded the patent owner damages of \$10,000. The patent owner appealed from the judgment, asserting that the award was contrary to 35 USC § 284.

On appeal, the Federal Circuit noted that when the measure of damages is a reasonable royalty, the amount is normally provable by the facts in evidence or as a factual inference from the evidence. However, there is room for the district court to exercise a common-sense estimation of what the evidence shows would be a "reasonable" award. Therefore, to successfully challenge the district court's finding as to the amount of damages under the "reasonable royalty" provision of § 284, the patent owner must show that the award is, in view of all the evidence, either so outrageously high or so outrageously low as to be insupportable as an estimation of a reasonable royalty.

Noting that the patent owner presented its evidence on damages solely through its single patent attorney witness, the Federal Circuit concluded that the patent owner had failed to present evidence dictating a particular amount of damages. The absence of such evidence left the district court with the widest range of choice for the damage award, including an award of less than \$10,000. The Federal Circuit therefore affirmed the judgment of the district court.

F. *The Requirement of an Arm's-Length Transaction for Calculating a Reasonable Royalty*

In *Allen Archery, Inc. v. Browning Manufacturing Co.*<sup>231</sup> both a parent corporation and its wholly-owned subsidiary were found liable for selling an infringing product. The subsidiary sold substantially all of the infringing product that it manufactured to the parent for resale by the latter.

The district court held that the patent owner was entitled to damages equal to a reasonable royalty for the "use" made of the patented invention by the parent and its subsidiary. The district court calculated the amount of the royalty based upon the price at which the subsidiary sold the infringing product to the parent.

On appeal, the patent owner asserted that the close relationship between the parent and subsidiary established that their dealings with each other were not at arm's length. The patent owner

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231. 898 F.2d 787 (Fed. Cir. 1990).

challenged the district court's use of the price at which the subsidiary sold the infringing product to the parent as the basis for calculating the amount of the royalty.

The Federal Circuit found that the record indicated only that the price at which the subsidiary sold to the parent was jointly established by the management of both companies. The record did not establish that the parent and subsidiary set the selling price as a result of arm's-length bargaining. In the absence of such arm's-length bargaining, the Federal Circuit concluded that the price at which the subsidiary sold to the parent did not provide a proper basis for determining a reasonable royalty. Instead, the proper basis for determining a reasonable royalty was the price at which the parent sold the infringing product to its customers, since such a price was clearly established in an arm's-length transaction. The Federal Circuit accordingly remanded the case to the district court for redetermination of the reasonable royalty based upon the price at which the parent sold the infringing product to its customers.

*G. Reasonable Royalty Calculation May Not be Based Solely on One License Agreement*

The patent owner in the case of *Trell v. Marlee Electronics Corp.*<sup>232</sup> did not sell the patented invention in the United States. Consequently, the patent owner could not seek damages based on lost profits,<sup>233</sup> and was required instead to present evidence of a reasonable royalty.<sup>234</sup>

The evidence presented consisted of a single license agreement which provided for a royalty rate of 6% for the exclusive right to sell the patented invention in Europe. Based on this evidence, the district court concluded that 6% was a reasonable royalty. The infringer challenged the district court's method of calculating damages under 35 USC § 284.<sup>235</sup>

The Federal Circuit noted that, for a royalty to be established, the royalty must be paid by a sufficient number of licensees to indicate a general acquiescence in its reasonableness by those who have occasion to use the invention.<sup>236</sup> The Federal Circuit found that the

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232. 912 F.2d 1443 (Fed. Cir. 1990).

233. Lindemann, *supra* note 212, at 1406 n.2.

234. *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1078 (Fed. Cir. 1983).

235. Damages are usually calculated under § 284 by i) assessing the actual damages suffered (the profits the patentee lost due to the infringement) or, ii) if actual damages cannot be ascertained, determining a reasonable royalty. *Id.*

236. *Id.*

single licensing agreement in *Trell*, without more, was insufficient proof of an established royalty.

Lacking evidence of an established royalty, it was necessary for the district court to calculate a reasonable royalty based upon the amount a willing buyer and seller would have negotiated to license the device covered by the patent. However, the district court in *Trell* had failed to determine what royalty a negotiated license agreement between the patent owner and the infringer would have produced. Instead, the district court based its award of damages on the royalty paid for the single license.

The Federal Circuit concluded that the district court improperly construed the 6% rate in the license as an established royalty and failed to calculate a reasonable royalty. Consequently, the Federal Circuit reversed the district court's decision and remanded the case with instructions to determine a reasonable royalty consistent with the methodology set forth in *Fromson v. Western Litho Plate & Supply Co.*<sup>237</sup>

## XV. ATTORNEY FEES — 35 USC § 285

### A. *Bad Faith Litigation*

In *Eltech Systems Corp. v. PPG Industries, Inc.*<sup>238</sup> the district court found the amended complaint asserting infringement to be meritless, and on that basis, found the case to be exceptional pursuant to 35 USC § 285 and awarded attorney fees to the accused infringer.<sup>239</sup> On appeal, the patent owner challenged the award of attorney fees to the accused infringer, asserting that the district court had clearly erred in finding the case exceptional on the basis of a meritless complaint.

The Federal Circuit observed that under 35 USC § 285 the interest of a patent owner in protecting its statutory rights is balanced

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237. *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568 (Fed. Cir. 1988).

238. 903 F.2d 805 (Fed. Cir. 1990).

239. *Eltech Sys. Corp. v. PPG Indus., Inc.*, 710 F. Supp. 622 (W.D. La. 1988). The district court based its finding on numerous subsidiary findings: (1) the patentee's expert performed no tests, yet concluded that there was infringement; (2) before May 1988 all tests were done with a grade of material not used by the accused infringer; (3) the patentee did not attempt to reproduce the accused infringer's procedures, or to evaluate products produced according to those procedures, or to evaluate products supplied by the accused infringer, or to evaluate any product under operating conditions; (4) the written evaluation report of the patentee's expert was withheld as privileged and not produced during discovery nor offered into evidence at trial, supporting an inference that it was not favorable to the patentee; and (5) the patentee's attempt to excuse its conduct on the basis that it was acting on oral advice of counsel while revealing no technical or legal basis for such advice, was inadequate. *Id.* at 637-38.

by the interest of the public in confining such rights to their legal limits.<sup>240</sup> With respect to bad faith litigation, there is no difference in the standards applicable to patent owners and to accused infringers. Each is required to prove the other guilty of bad faith by clear and convincing evidence in light of the totality of the circumstances. The balance is not tipped in favor of either side.

The Federal Circuit found in *Eltech* that the patent owner had been manifestly unreasonable in assessing infringement, while continuing to assert infringement in court. An inference of bad faith was therefore proper, regardless of whether that inference of bad faith was grounded in, or denominated as, wrongful intent, recklessness, or gross negligence. The Federal Circuit consequently affirmed the district court's judgment and award, and awarded to the accused infringer its attorney fees and double the costs it incurred in connection with the appeal.

## XVI. JURISDICTION AND REVIEW

### A. *Venue Under 28 USC § 1400(b) With Respect to Corporate Defendants*

The bases for establishing venue in patent infringement actions is set forth in 28 USC § 1400(b):

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The Supreme Court in the case of *Fourco Glass Co. v. Transmirra Products Corp.*<sup>241</sup> confirmed that for defendants corporations, the term "resides", as used in § 1400(b), meant the state of incorporation only. The Supreme Court's decision in *Fourco* is generally viewed as holding § 1400(b) as the exclusive venue statute in patent infringement actions, and that the meaning of the terms in § 1400(b) are not to be altered or supplemented by other provisions found in the general venue statutes. Section 1391(c), the general venue section that addresses the question of where corporations may be sued and contains language about the residence of corporations, therefore, did not supplement the specific provisions of § 1400(b).

At the time of the Supreme Court's decision in *Fourco*, § 1391(c) consisted of one sentence:

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240. *Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 471 (Fed. Cir. 1985).

241. 353 U.S. 222 (1957).

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

The first clause of § 1391(c) (up to the comma) established venue for corporations.

In 1988 Congress amended § 1391(c) and adopted a new definition of “reside” as it applies to venue for corporate defendants. The former one-sentence subsection of § 1391(c) now consists of two sentences. The new first sentence of amended § 1391(c) reads:

(c) For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.<sup>242</sup>

In the case of *VE Holding Corp. v. Johnson Gas Appliance Co.*<sup>243</sup> the Federal Circuit was presented with the issue of whether, by amendment to § 1391(c), Congress meant to apply that new definition to the term “reside” as it is used in § 1400(b), and thus change the long-standing interpretation of the patent venue statute.

The patent owner in *VE Holdings* had filed suit in U.S. District Court for the Northern District of California. The accused infringer moved to dismiss for improper venue. The district court found that the accused infringer, as an Iowa corporation, did not “reside” in California, as that term has been construed in § 1400(b), and, in addition, that the accused infringer did not have a regular and established place of business in the Northern District of California. The District Court therefore held that venue did not lie in the Northern District of California with respect to the accused infringer.

On appeal, the Federal Circuit found the language of the amended statute was clear and its meaning was unambiguous. On its face, amended § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term “resides” in § 1400(b). The Federal Circuit found no legislative intent, let alone clearly expressed intent, contrary to the plain meaning of the first sentence of the amended statute.

The Federal Circuit held that Congress, by its 1988 amendment of 28 USC § 1391(c), had changed the meaning of the term

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242. The phrase “this chapter” refers to chapter 87 of title 28, which encompasses §§ 1391-1412, and thus includes § 1400(b).

243. 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991).



"resides" in § 1400(b). Thus, the first test for venue under § 1400(b) with respect to a defendant that is a corporation, in light of the 1988 amendment to § 1391(c), is whether the defendant was subject to personal jurisdiction in the district of suit at the time the action was commenced. Under amended § 1391(c), venue is proper in a patent infringement case in any district where there would be personal jurisdiction over the corporate defendant at the time the action is commenced. This test is narrower than allowing venue wherever a corporate defendant could be served, but is broader than that encompassed by the previous standard of "place of incorporation."

Since the accused infringer had conceded personal jurisdiction over it in the Northern District of California, the accused infringer "resides" in that district, within the meaning of the first test of § 1400(b), and venue properly lies in the Northern District of California. Accordingly, the Federal Circuit reversed the judgment of the district court and remanded the case for further proceedings.

### B. Federal Circuit Jurisdiction Over Patent Counterclaims

In *Christianson v. Colt*,<sup>244</sup> the U.S. Supreme Court concluded that the mere presence of patent law issues did not mean the Federal Circuit had jurisdiction to hear an appeal.<sup>245</sup> The Supreme Court in *Christianson* dealt with the effect on Federal Circuit jurisdiction of patent law issues raised *only* as a defense. No patent claims appeared in the complaint or in any counterclaim.

The issue presented in *Aerojet-General Corporation v. Machine Tool Works*<sup>246</sup> was whether, in light of *Christianson*, the Federal Circuit had jurisdiction to hear an appeal in which the district court's jurisdiction over the complaint was not based on 28 USC § 1338. However, there was a counterclaim over which the district court would have had § 1338 jurisdiction if the counterclaim had been a complaint.

The plaintiff in *Aerojet-General* sued the defendant for unfair competition, interference with prospective economic advantage, false representation, and declaratory judgment that trade secrets

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244. 486 U.S. 800 (1988).

245. The court pointed out that under 28 U.S.C. § 1295(a)(1), jurisdiction is granted to the Federal Circuit over "an appeal from a final decision of a district court of the U.S. . . . if the jurisdiction of that court was based, in whole or in part, on [28 U.S.C. § 1338]." Under 28 U.S.C. § 1338(a), jurisdiction is granted to district courts "of any civil action arising under any Act of Congress relating to patents." This judgment vacated the Federal Circuit's decision in *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1552-53 (Fed. Cir. 1987).

246. 895 F.2d 736 (Fed. Cir. 1990).

were not misappropriated. Federal subject matter jurisdiction was predicated upon the presence of a federal question<sup>247</sup> and diversity of citizenship.<sup>248</sup>

The defendant answered and counterclaimed for breach of contract, unfair competition, trade secret misappropriation, false representation, and patent infringement under 35 U.S.C. § 271. The defendant's counterclaims were compulsory.<sup>249</sup> There was no suggestion in the record that the defendant's counterclaim for patent infringement was insubstantial, frivolous, or asserted for the purpose of manipulating the jurisdiction of the Federal Circuit.

The district court issued an order staying proceedings and ordering arbitration of all claims, including the defendant's counterclaim for patent infringement. The plaintiff appealed to the Federal Circuit, saying it did so under 28 USC §§ 1291 and 1295, or alternatively 28 USC § 1292 (1982).

Considering the jurisdictional question *en banc*, the Federal Circuit reasoned that if the compulsory counterclaim for patent infringement had been filed as a complaint, then it would have clearly stated a separate cause of action "arising under" the patent statutes and would, therefore, have invoked the district court's jurisdiction under 28 U.S.C. § 1338. Consequently, it would have also invoked the Federal Circuit's appellate jurisdiction under 28 U.S.C. § 1295. The Federal Circuit found it incongruous to hold that it had appellate jurisdiction when a well-pleaded patent infringement claim was the basis of a pleading labeled "complaint," but not when the identical well-pleaded claim was the basis of a pleading labeled "counterclaim." Moreover, the intent of Congress in creating the Federal Circuit would be frustrated by focusing exclusively on the complaint, and directing appeals involving compulsory counterclaims for patent infringement to the twelve regional circuits.

Consequently, the Federal Circuit held in *Aerojet-General* that it did have appellate subject matter jurisdiction; the compulsory counterclaim for patent infringement was a separate, nonfrivolous claim, having its own § 1338 jurisdictional basis independent of the jurisdictional basis of the complaint.

The Federal Circuit expressly limited its holding in *Aerojet-General* to cases in which a nonfrivolous *compulsory* counterclaim for patent infringement is filed in an action originally and properly brought in a federal district court. The Federal Circuit expressly

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247. 28 U.S.C. § 1331 (1982).

248. 28 U.S.C. § 1332 (1982).

249. See FED. R. CIV. P. 13(a).

left open the question of whether the holding would be the same in the case of a *permissive* counterclaim for patent infringement.

C. *Discovery Directed to Non-Parties Must Meet Relevancy Requirement*

The case of *Micro Motion, Inc. v. Kane Steel Co., Inc.*<sup>250</sup> involved an order of a district court in an ancillary proceeding to obtain discovery from a nonparty in connection with a patent infringement suit being tried before a different district court.

The patent owner had sued the accused infringer in the U.S. District Court for the Northern District of California. After suit was filed, the patent owner sought a subpoena for deposition and production of documents from the U.S. District Court for the District of New Jersey. The subpoena was directed to a nonparty company which competed with both the patent owner and the accused infringer. The patent owner sought to obtain information<sup>251</sup> that was purportedly relevant to the issue of damages in the California patent infringement suit.

The nonparty filed a motion to quash, or in the alternative, to modify the scope of the requested disclosure. The nonparty argued that the information sought by the patent owner was not relevant; that its confidentiality was essential to the nonparty; and that its disclosure would cause the nonparty serious if not irreparable injury, even if disclosure occurred under a protective order.

The patent owner responded that a protective order was sufficient to protect the nonparty's interests, and that the requested information was relevant to the issue of damages. In order for the patent owner to recover lost profits, it needed to prove that the nonparty's products either infringed the patents in suit or were unacceptable noninfringing substitutes.

The New Jersey district court denied the nonparty's motion to quash the subpoena, except with respect to disclosure of the identities of the nonparty's customers.

As an initial matter on appeal, the Federal Circuit rejected the argument that the nonparty's objections were obviated by the entry of a protective order. The Federal Circuit stated that a protective order neither eliminates the requirement of relevance nor substitutes for establishing relevance.

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250. 894 F.2d 1318 (Fed. Cir. 1990).

251. The information sought included confidential business information of the nonparty such as product sales volume and customer lists.

The Federal Circuit then stated that the patent owner's assertion of a claim for lost profit damages did not, in and of itself, establish relevance with respect to all of the information sought from the nonparty competitor. The court reasoned that if a patent owner was entitled to discovery of information concerning each competitor's business merely because it might seek to prove lost profit damages, then a patent owner could, in virtually every infringement suit, immediately obtain discovery from all possible competitors by merely filing a complaint asking for damages against one. The consequences of such a policy would clearly lead to abuse of the discovery process.

The Federal Circuit concluded that the patent owner had failed to establish any right under the Federal Rules of Civil Procedure to the requested discovery. Consequently, the Federal Circuit found that nonparty's motion to quash should have been granted in its entirety.

#### D. *Stay of District Court Judgment Pending Appeal*

In the case of *Standard Havens Products, Inc. v. Gencor Industries, Inc.*,<sup>252</sup> the accused infringer moved to stay execution of the judgment and imposition of an injunction entered by the district court during the pendency of an appeal to the Federal Circuit.

In deciding the issue, the Federal Circuit identified four factors guiding its discretion to issue a stay pending appeal: (1) whether a strong showing has been made that the stay applicant is likely to succeed on the merits; (2) whether the stay applicant will be irreparably injured in the absence of a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) whether the public interest is served by granting or denying the stay.<sup>253</sup>

In *Standard Havens* the Federal Circuit found that the infringer had shown that the existence of a substantial legal question existed regarding the validity of the patent, and that the infringer had a substantial chance of prevailing on appeal.<sup>254</sup> The Federal Circuit also found that the balance of harms tipped clearly in the infringer's favor. The patent owner's harm was speculative and did

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252. 897 F.2d 511 (Fed. Cir. 1990).

253. See *Hilton v. Braunskill*, 481 U.S. 770, 776 (1987); *E.I. DuPont de Nemours & Co. v. Phillips Petroleum*, 835 F.2d 277, 278 (Fed. Cir. 1987).

254. The infringer pointed out that after the jury verdict, but before entry of judgment, the Commissioner of Patents and Trademarks, *sua sponte*, ordered reexamination of the infringed patent because the Commissioner had found that a pertinent prior art reference raised a substantial new question of patentability.

not threaten its viability. On the other hand, substantial evidence indicated that the harm reasonably expected by the infringer would be both catastrophic and irreparable. Without a stay, the infringer might cease to exist. The Federal Circuit therefore granted the infringer's motion for a stay pending appeal.

E. *The Requirement of Controversy in a Declaratory Judgment Suit Brought by a Patent Owner Against an Alleged Future Infringer*

Declaratory judgment actions are most commonly brought against a patent owner by an accused infringer seeking a declaration of noninfringement or invalidity, or both. Declaratory judgment actions are less frequently brought by a patent owner against a party who will allegedly infringe in the future.<sup>255</sup>

Regardless of whether the declaratory judgment action is brought by the patent owner or the accused infringer, the sole requirement for jurisdiction under the Declaratory Judgment Act, is that the conflict between the parties must be real and immediate. There must be a true, actual "controversy."<sup>256</sup>

The issue of whether a patent owner met the actual controversy requirement necessary to maintain a cause of action under the Declaratory Judgment Act was presented in the case of *Lang v. Pacific Marine and Supply Co.*<sup>257</sup>

The subject patents in *Lang* were directed to certain features of a ship's hull. The patent owner sued the accused infringer in April, 1988, seeking a declaratory judgment that the accused infringer's acts constituted patent infringement and/or threatened infringement. At the time suit was filed, the accused infringer was in the process of manufacturing a hull structure that the patent owner contended would, when finished, infringe its patents. The vessel was not scheduled for completion until February, 1989.

The district court granted the accused infringer's motion to dismiss the complaint for lack of subject matter jurisdiction and/or failure to state a claim under rules 12(b)(1) and (6) of the Federal

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255. For examples of actions brought by patent owners fearing future infringement, see *Erbamont Inc. v. Cetus Corp.*, 720 F. Supp. 387 (D. Del. Aug. 23, 1989); *Westnafa USA Inc. v. British Design (U.S.A.) Corp.*, 222 U.S.P.Q. (BNA) 136 (N.D. Ill. 1983); *Automation Sys., Inc. v. Intel Corp.*, 501 F. Supp. 345 (S.D. Iowa 1980); *Proler Steel Corp. v. Luria Bros. & Co.*, 223 F. Supp. 87 (S.D. Tex. 1963).

256. *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988).

257. 895 F.2d 761 (Fed. Cir. 1990).

Rules of Civil Procedure.<sup>258</sup> The patentee appealed the district court's order dismissing the complaint.

On appeal, the Federal Circuit identified two elements that must be present in order to meet the controversy requirement in a declaratory judgment suit brought by a patent owner against an alleged future infringer. First, the alleged future infringer must be engaged in, or be making meaningful preparation for, an activity directed toward making, using or selling that would subject it to an infringement charge under 35 USC § 271(a). Second, the acts of the alleged future infringer must indicate a refusal to change the course of its actions in the face of acts by the patent owner sufficient to create a reasonable apprehension that a suit will be forthcoming.

In *Lang*, the Federal Circuit determined that the patent owner had failed to meet the actual controversy requirement necessary to maintain a cause of action under the Declaratory Judgment Act. The accused infringing ship's hull was not scheduled to be finished until at least nine months after the complaint had been filed. The accused infringer had not distributed sales literature, prepared to solicit orders, or engaged in any activity indicating that the ship would soon be ready for sea. The Federal Circuit therefore concluded that there was no substantial controversy of sufficient immediacy and reality to warrant consideration of the patent owner's claim for declaratory relief, and affirmed the district court's dismissal of the complaint.

#### F. *Time of Filing an Appeal*

On June 5, 1989, after a successful jury trial, the plaintiff in *Jurgens v. Timothy*<sup>259</sup> moved for attorney fees and prejudgment interest. In an order dated July 5, 1989, the district court resolved substantially all post-trial motions, but expressly deferred a decision on plaintiff's request for attorney fees and prejudgment interest until further briefing could be had. Judgment was entered the same day.

Within 30 days of the district court's entry of judgment, the defendant filed a notice of appeal. Within 14 days of the defendant/appellant's appeal, the plaintiff filed its notice of cross-appeal. After the notice of cross-appeal had been filed, the district court granted plaintiff/appellee's pending motion for prejudgment interest.

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258. *Lang v. Pacific Marine & Supply Co.*, 703 F. Supp. 1404 (D. Haw. 1989).

259. 905 F.2d 382 (Fed. Cir. 1990), *disapproved on other grounds*, *Smith v. Barry*, 112 S. Ct. 678 (1992).

The appellant moved to dismiss the cross-appeal, on the ground that the notice of cross-appeal was of no effect because it had been filed prior to the district court's disposition of the motion for prejudgment interest. The appellant asserted that the appellee's June 5, 1989 motion requesting prejudgment interest had been a timely motion under Rule 59(e) of the Federal Rules of Civil Procedure to amend the July 5, 1989 judgment. Therefore, according to the appellant, the appellee's notice of cross-appeal filed prior to the disposition of that motion was premature.

The issue on appeal was whether a motion for prejudgment interest, filed before the formal entry of judgment, constitutes a Rule 59(e) motion to alter or amend the judgment, and thus, rendering ineffective any notice of appeal filed before the disposition of that motion.

Rule 59(e) states that "[a] motion to alter or amend the judgment shall be served not later than 10 days after entry of the judgment." The Federal Circuit noted, however, that the language of Rule 59(e) does not expressly require that there be a pre-existing judgment. It only requires that the motion be served "not later than 10 days after entry of judgment." A condition that was clearly met in *Jurgens*. The Federal Circuit, therefore, concluded that the 10-day limit in Rule 59 sets only a maximum period, but does not nullify an otherwise valid motion made before a formal judgment has been entered. The Federal Circuit consequently granted the appellant's motion and dismissed the cross-appeal.

G. *Interlocutory Decisions Appealable Under 28 USC § 1292(c)(2)*

Under 28 USC § 1295(a)(1) the Federal Circuit has exclusive jurisdiction of an appeal from a "final decision" of a district court whose jurisdiction, in whole or in part, arises under an Act of Congress relating to patents. In addition, the Federal Circuit has exclusive jurisdiction to review certain "interlocutory decisions" in such cases, as provided by 28 USC § 1292(c).<sup>260</sup>

The case of *Johannsen v. Pay Less Drug Stores Northwest, Inc.*<sup>261</sup> involved an appeal from a judgment of the district court in a case involving both design patent infringement and unfair competi-

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260. 28 USC § 1292(c) (1982) states: "The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . (2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting."

261. 918 F.2d 160 (Fed. Cir. 1990).

tion. The judgment entered by the district court concluded all liability issues between the parties, but stayed proceedings on injunctive relief and an accounting for unfair competition damages. The parties appealed, asserting that the judgment was an interlocutory decision appealable under 28 USC § 1292(c)(2).

The issue before the Federal Circuit was whether a district court judgment that pronounces liability for unfair competition and orders an accounting — but pronounces no infringement of patent rights and orders no patent accounting — is appealable under § 1292(c)(2).

The Federal Circuit noted that if the patent infringement claim had been the only claim asserted, then the judgment of no infringement would not be an appealable interlocutory decision under § 1292(c)(2). The Federal Circuit found no reason why the introduction of non-patent claims should trigger § 1292(c)(2) and change the basic interplay between § 1292(c)(2) and § 1295.

The Federal Circuit, therefore, held that 28 USC § 1292(c)(2) does not permit appeal from a judgment on mixed patent and unfair competition claims that denies all patent infringement claims and adjudges liability only for unfair competition as to which a decision on damages and injunctive relief is yet to be made. The appeal was therefore dismissed for lack of appellate jurisdiction.



